

WYRE FOREST DISTRICT COUNCIL**CABINET**
16TH FEBRUARY 2010**Budget Monitoring – Third Quarter 2009/2010**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A Well-Run and Responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
DIRECTOR:	Director of Resources
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APPENDICES:	<p>Appendix 1 Wyre Forest District Council General Fund Total Requirements - District Council Purposes</p> <p>Appendix 2 Budgetary Control Reports - Revenue</p> <p>Appendix 3 Income Generation Projection Report</p> <p>Appendix 4 Budgetary Control Report – Capital Programme 2009/2010</p> <p>Appendix 5 Cabinet Proposal Progress Report</p> <p>Appendix 6 Non Policy Saving Progress Report</p> <p>Appendix 7 Budget Risk Matrix</p> <p>Appendix 8 Supplementary Estimate/ Virement Report 2009/2010</p> <p><i>The appendices to this report have been circulated electronically and a public inspection copy is available on request. (See front cover for details).</i></p>

1. PURPOSE OF REPORT

- 1.1 To monitor the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003 and Comprehensive Area Assessment (CAA) guidelines.
- 1.2 To provide additional budget to fund the total cost of the recent improvements to the Town Hall. The total cost of the scheme was estimated at £1,374,000, for which budget was provided. Now that final accounts have been received it is determined that this has been exceeded by £37,960.

2. RECOMMENDATIONS

The Cabinet is asked to DECIDE:-

- 2.1 That the projected budget variations and comments outlined within this report and appendices 2 to 8 be noted.
- 2.2 That a Virement of £37,960 is approved from unallocated Capital Receipts/ Capital Grant for additional works at the Town Hall, in respect of the conversion for the Worcestershire Hub, and the relevant amendments be made to the Capital Programme in 2009/10 to reflect this. Delegated authority be given to the Director of Resources to determine the final source of funding.

3. BACKGROUND - BUDGET MONITORING 3RD QUARTER 2009/2010

- 3.1 Council on 25th February 2009 agreed the revised Revenue Budget and Capital Programme for the period 2009/2012.
- 3.2 Cabinet on the 22nd December 2009 considered the Financial Strategy 2010/2013, including the revised budget for 2009/2010 and this is now the approved control budget for this financial year against which budget monitoring reports are now made.
- 3.3 Background on the Town Hall Contract, together with Key Issues and Financial Implications is contained in Section 7 of this report.

4. KEY ISSUES - BUDGET MONITORING 3RD QUARTER 2009/2010

- 4.4 The Cabinet is required to consider on a regular basis, relevant financial information relating to Budget monitoring and take appropriate action where necessary.
- 4.5 As part of last year's Finance Strategy a number of non-policy Budget reductions were incorporated into the Budget together with a schedule of Cabinet Proposals. Some of these approvals are proving to be particularly challenging and progress reports are shown in Appendix 5 for Cabinet Proposals and Appendix 6 for the non-policy approvals; this updates the position previously reported for Quarter Two.
- 4.6 A revised strategy has been taken for this year's Budget process, including the requirement for efficiencies in the light of the projected issues covered in this report including:
 - The prospect of a reduced Local Government Finance Settlement from 2010/11 onwards.
 - Reduction in investment income, given the reduction in Bank Base Rates; although the changes to the Treasury Management Policy approved at Council on the 29th July go a small way towards mitigating this, as shown in Appendix 2 the current projection for actual to year end is £141,000 compared to the original Budget of £305,420.
 - The diminishing availability of reserves available to fund the 3 year Strategy (paragraph 4.7 below also refers).

A Budget Cabinet member/officer workshop was held during October as a key element of the revised Budget Strategy and, together with the second quarter's monitoring report has been fed into the new Finance Strategy.

4.7 A Budget Issues Report was presented to Cabinet on the 27th October 2009, identifying emerging budget issues which would affect the Service and Financial Planning process, leading to the presentation of the Financial Strategy 2010/2013 at December Cabinet.

5. FINANCIAL IMPLICATIONS - BUDGET MONITORING 3RD QUARTER 2009/2010

- 5.1 A copy of the Council's approved Revenue Budget is enclosed as Appendix 1 for Members information.
- 5.2 The Director of Resources, having consulted with other Service Directors, has produced a schedule of significant revenue budget variations and comments on key activities for the third quarter as Appendix 2. These variances include:
- £70,000 (adverse) in respect of Development Control Income due to the continuing but unexpected effects of the economic recession on the building sector.
 - The Bank Base rate remains constant at 0.50%; as this has been assumed in the revised budget the projected interest of £141,000 should be achieved; there is however uncertainty about future years.
 - The continuing effects of the economic recession may have an overall adverse impact on the revised budget, although this should be offset by savings in pay and administrative costs. Close monitoring by the Director of Resources and all Directorates will continue, with reports to Cabinet and Audit Committee in June 2010.
- 5.3 A very positive event reported at Quarter 2, was the negotiation of £144,000 payment from the County Council for 2009/10 in respect of Waste Management Efficiency Grant. The Council is also in discussions along with all other districts on implementing an incentive scheme to reward districts for recycling initiatives, thereby reducing the impact of landfill tax to be paid by the Council. A Cabinet Proposal for £60,000 income per annum is part of the Main Finance Strategy to reflect the introduction of a revised recycling reward scheme in conjunction with other Worcestershire Councils.
- 5.4 A copy of the Income Generation Projection Report for the third quarter is enclosed as Appendix 3. This additional report is to enable Members to consider and focus on key income generation areas which impact on the overall revenue budget. Income variations are included together with expenditure items in Appendix 2.
- 5.5 The revised Capital Programme and Vehicle, Equipment and Systems Renewal Schedule for 2009/2010 is enclosed as Appendix 4.
- 5.6 A Progress Report of Cabinet Proposals outstanding from the Quarter Two report is shown in Appendix 5. Appendix 6 shows a similar Progress Report for Non-Policy Budget changes.
- 5.7 Updated Prudential Indicators based on Cabinet Proposals are included in a separate Treasury Management Report also on this Committee Agenda.
- 5.8 A copy of the Supplementary Estimates/Virement Schedule is enclosed as Appendix 8.

6. ICELANDIC INVESTMENTS

- 6.1 A key implication of the Icelandic investments relates to the requirement to account for impairment (ensuring that the accounts reflect a prudent view in relation to the prospects for the return of the investments). Such impairment charges would normally result in a revenue cost to the Council (even though the investments themselves were the Council's capital receipts). In March 2009, the Government introduced legislation to defer any impact upon Local Authority accounts for impairment until 2010/11, the rationale being that there would be significantly more information available at that time to make sensible decisions in relation to the return of the investments.
- 6.2 In November 2009, Communities and Local Government indicated that applications for Capitalisation of potential impairment losses where evidence of exceptional financial difficulties can be provided will be considered favourably. In view of the fact that these investments were capital funds not yet required and given this Council's diminishing revenue reserves, our case for capitalisation is strong and an application has been submitted for 2009/10 by 15th December 2009, the CLG deadline. The CLG's response has not yet been received. The outcome of this will be considered as part of the Final Accounts reporting and approval process; it is important to note that this action provides a contingency plan for accounting for these potential losses if the worse case scenario occurs and predicted recoveries are not realised. This is therefore a prudent approach to mitigate risk.

7. TOWN HALL HUB CONTRACT

This incorporates Background, Key Issues and Financial Implications

- 7.1 The flagship Town Hall conversion to the Worcestershire Hub is now fully opened and has made a largely unused space at the Town Hall an efficient and fit for purpose Hub facility.
- 7.2 The contractor Harpers, were required to do additional works that became essential as the contract progressed including specific repairs that were not identifiable until work started. This covered works to the structure of the building which were in addition to the conversion work including disposal of additional asbestos and additional essential roofing works.
- 7.3 To minimise costs, the work was done by way of variation to the main contract, as the contractors were already on site, with appropriate scaffolding and resources. To halt the works would have required a separate contract for the repairs and would have resulted in both extra cost and delay to the conversion project. Cabinet is now asked to approve the payment of £37,960 to meet the outstanding commitments against the original budget.
- 7.4 The final capital and revenue accounts have now been reconciled. The initial contract of £1,374,000 included a tolerance of 1.8% overspend. To cover unforeseen works that arose during the life of the contract, the reconciliation has resulted in a £37,960 overspend amounting to 2.8%.

- 7.5 Although this overspend needs to be financed it should be noted that this level is within the average contingency for construction projects of 5%.
- 7.6 It is recommended the overspend be funded by means of a Virement from sources such as unallocated Capital Receipts/Capital Grants, including Planning Delivery Grant, with delegation to the Director of Resources to determine the final source of funding.

8. LEGAL AND POLICY IMPLICATIONS

- 8.1 The Local Government Act 2003 (sections 25–29) placed new duties on Local Authorities on how they set and prioritise budgets.
- 8.2 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it concludes necessary. The Cabinet currently reviews the Budget on a quarterly basis.
- 8.3 The CAA continues to place emphasis on Use of Resources made by Local Authorities. The Audit Commission make an assessment based on the annual programme of external audit work. One of the Key Lines of Enquiry (KLOE) is how well the Council manages and uses its financial resources.

9. RISK MANAGEMENT

- 9.1 The Budget Risk Matrix has been revised to reflect the current assessment of risk. A copy of the Budget Risk Matrix is enclosed for information as Appendix 7.
- 9.2 The Town Hall Hub Contract was a major Capital scheme and the risk of unforeseen additional works outside the minimal project contingency allowed within the original approval was always high. The additional works were all considered as essential to the overall delivery of the scheme.

10. EFFICIENCY SAVINGS

- 10.1 The financial year 2009/2010 is the second year of the Comprehensive Spending Review (CSR) 07 replacing the former "Gershon" regime. The Budget Review Panel considered and approved a revised Efficiency Strategy on 19th November, 2009 as part of the budget process. Initially, an exercise was undertaken to consider the relative priority of **all** Council services against priority model adopted as part of 2009/12 Financial Strategy. The results of this prioritisation exercise have been fed into the budget process with attention concentrated upon directorate's individual plans in relation to efficiency via the Consultation process. Detailed working papers/evidence must be provided in order for savings to be treated as efficiency gains. The Director of Resources in consultation with Corporate Management Team will continue to report on the progress of efficiency savings in due course.

11. EQUALITY IMPACT ASSESSMENT

- 11.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

12. CONCLUSIONS/ACTION

- 12.1 The information contained within Appendices 2, 3, 4, 5, 6, 7 and 8 provides Members with an overview of financial trends within the period to 31st December 2009, together with appropriate comments relative to key activities. This information is compared to the revised Budget included in the full suite of Financial Strategy Reports.
- 12.2 A further report identifying the full year position for 2009/2010 will be submitted to the Cabinet and Audit Committee as part of the Final Accounts closedown process, in June 2010.
- 12.3 Approval of the Virement in respect of the Town Hall Hub Contract is necessary to finalise funding of this scheme.

13. CONSULTEES

- 13.1 Corporate Management Team (CMT)
- 13.2 Cabinet

14. BACKGROUND PAPERS

Council 25th February 2009 C.80
CLG Letter 15th October 2009, Capitalisation Directions 2009-10
Cabinet Budget Monitoring Report Qtr.1 22nd September 2009
Cabinet Budget Monitoring Report Qtr.2 24th November 2009
Cabinet Financial Strategy 2010/2013 22nd December 2009
Council 8th December, 2004 – Worcestershire Hub
Cabinet 8th December, 2004 – Worcestershire Hub
Cabinet 30th September, 2004 – Worcestershire Hub