

**WYRE FOREST DISTRICT COUNCIL****CABINET  
16<sup>th</sup> FEBRUARY 2010****Report of the Director of Resources in respect of  
Sections 25-28 Local Government Act 2003**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME</b>	<b>Economic Success Shared by All</b>
<b>CORPORATE PLAN AIM:</b>	<b>A Well Run and Responsive Council</b>
<b>CABINET MEMBER:</b>	<b>Councillor Nathan Desmond</b>
<b>DIRECTOR:</b>	<b>Director Of Resources</b>
<b>CONTACT OFFICER:</b>	<b>David Buckland, Ext. 2100</b> <a href="mailto:david.buckland@wyreforestdc.gov.uk">david.buckland@wyreforestdc.gov.uk</a>
<b>APPENDICES</b>	<b>None</b>

**1. PURPOSE OF REPORT**

- 1.1 To consider the report of the Director of Resources in respect of statutory duties placed on Local Authority Chief Financial Officers in relation to budget setting and monitoring.

**2. RECOMMENDATION**

**The CABINET is asked to RECOMMEND TO COUNCIL :**

- 2.1 **The Director of Resources' opinion on the budget proposals, recommended by the Cabinet on 22<sup>nd</sup> December 2009, as detailed in this report.**

**3. BACKGROUND**

- 3.1 Sections 25 to 28 of Local Government Act 2003 place statutory duties on Local Authorities on how they set and monitor budgets. The Act requires local authorities to ensure that the Budget estimates are robust, Reserves are adequate, and the Budget is monitored on a regular basis.
- 3.2 Section 25 requires Director of Resources to report to the Council on the robustness of the estimates it makes when calculating its budget requirement under Section 32 of the Local Government Finance Act 1992 and on the adequacy of its proposed financial reserves.
- 3.3 Section 26 requires authorities to adhere to their approved policies in relation to Reserves when setting budgets to ensure that the minimum Reserve levels are maintained.
- 3.4 Section 27 requires the Director of Resources, at the time of the budget setting, to report if it appears that a reserve in relation to the previous financial year is likely to

be inadequate. The reasons for the inadequacy and a recommended course of action must be considered by Council.

- 3.5 Section 28 places a statutory duty on the Council to review its budget and all calculations related to it from time to time. If the review shows a deterioration in the financial position, the Council must take such action as it considers necessary (if any) to address the situation.
- 3.6 Whilst Sections 25-27 related specifically to budget and council tax setting for the following financial year, these Sections are being more widely interpreted by External Auditors to include the period of the Council's Financial Strategy and as a consequence it is necessary to report not only on next years Budget but on the period covered by the Three Year Budget Strategy (2010-2013).

**4. KEY ISSUES – DIRECTOR OF RESOURCES’ OPINION ON 2010-11 BUDGET & THREE YEAR BUDGET STRATEGY**

In respect of the Budget Proposals recommended by the Cabinet on 22<sup>nd</sup> December, 2009, in my opinion:-

- 4.1 The estimates made for the purposes of Section 32 of the Local Government Finance Act 1992 Calculations are robust.
- 4.2 The Reserves outlined in the Three Year Budget and Policy Framework Report to the Cabinet on 22<sup>nd</sup> December 2009 (pages 69 and 70 of the Financial Strategy) are adequate in relation to the 2010/12 Budgets.
- 4.3 The Council have adopted the general principles of the CIPFA Guidance on Local Authority Reserves and Balances, which outline a minimum Reserve (Working Balances) for this Council which has been adhered to in the Financial Strategy 2010/13. However, included within the proposals are plans to deliver efficiency gains of more than £600k pa by 2012/13. It is essential that detailed consideration of this item commences immediately in order for this to be achieved.
- 4.4 The Cabinet monitors Budgets on a quarterly basis in accordance with Section 28 of the 2003 Act, including 'Budget Risk Management' and takes appropriate action to ensure financial accountability.

**5. FINANCIAL IMPLICATIONS**

There are no Financial Implications.

**6. LEGAL AND POLICY IMPLICATIONS**

These are contained in Paragraph 3 of this report.

**7. EQUALITY IMPACT NEEDS ASSESSMENT**

- 7.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

**8. RISK MANAGEMENT**

- 8.1 Contained within the Financial Strategy pages 110 to 117 are all of the risks and mitigating actions which have been identified which are allied to the budget process.
- 8.2 There are two significant financial risks affecting the Council over the next three years:
- Return of the Icelandic Investments;
  - Future level of Central Government Support from 2011/12 and beyond.
- 8.3 It is for the reasons such as those identified in 7.2 why the Council retains a working balance reserve of £700k.

**9. CONCLUSION/FURTHER CONSIDERATIONS**

- 9.1 The Council will continue to seek a long term solution to the proportion of expenditure funded out of Reserves.
- 9.2 A contribution to Reserves is planned in 2010/11, however, as stated within the report the current reserves are not sufficient to fund the projected deficits on the Three Year Budget, the Council's Finance Strategy. This position will need to be addressed when further efficiency proposals are available and the level of support from central government beyond 2011/12 known, to ensure financial sustainability into the long term.

**10. CONSULTEES**

- 10.1 Leader of the Council/Cabinet/CMT.

**11. BACKGROUND PAPERS**

- 11.1 Local Government Act 2003 Sections 25-28
- 11.2 Local Government Finance Act 1992 Section 32