

WYRE FOREST DISTRICT COUNCIL**CABINET**
21st SEPTEMBER 2010**Budget Monitoring – First Quarter 2010/2011**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A Well-Run and Responsive Council
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
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APPENDICES:	Appendix 1 Wyre Forest District Council General Fund Total Requirements - District Council Purposes Appendix 2 Budgetary Control Reports - Revenue Appendix 3 Income Generation Projection Report Appendix 4 Budgetary Control Report – Final Capital Programme 2009/2010 Appendix 5 Budgetary Control Report – Capital Programme 2010/2011 Appendix 6 Cabinet Proposal Progress Report Appendix 7 Budget Risk Matrix Appendix 8 Prudential Indicators 2010/2013

1. PURPOSE OF REPORT

- 1.1 To monitor the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003.

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.**

3. BACKGROUND - BUDGET MONITORING 1st QUARTER 2010/2011

- 3.1 Council on 24th February 2010 agreed the revised Revenue Budget and Capital Programme for the period 2010/2011.

4. KEY ISSUES - BUDGET MONITORING 1st QUARTER 2010/2011

- 4.1 The Cabinet is required to consider on a regular basis, relevant financial information relating to Budget monitoring and take appropriate action where necessary.
- 4.2 The current forecast on the revenue account for 2010/11 is showing a potential overspend of £102,000 for the year. It should be noted however, that this forecast is being made early in the financial year and there are a number of issues highlighted within Appendix 2 which are likely to improve before the next quarter. The major variances are identified and discussed at paragraph 5.2.
- 4.3 A revised strategy is proposed for this year's Budget process, including the likely requirement for further efficiencies to be announced by the new government on the 20th October 2010. It is clear the public sector is facing austere times, and that this will be the most challenging budgeting period in the history of the Council. It will undoubtedly involve a significant reduction in the funding that is available to support services. Some information is already known that will impact on the budget, including the following items:
- The prospect of a reduced Local Government Finance Settlement from 2011/12 onwards with the suggestion of at least at 25% reduction in funding to be confirmed in October.
 - Reduction in specific grants, although the only one to have a direct impact so far, is a £18,000 reduction in Area Based Grant. However, other grants totalling £125,000 have been also been withdrawn. In addition, the cancellation of the grant to support free swimming for the over 60's has been implemented from 31 July 2010.
 - The diminishing availability of reserves available to fund the 3 year Strategy, although the Final Accounts saving of just over £1 million, due in the most part, to the refund from HMRC in respect of Flemings case law provides a one-off improvement in the reserves position.
 - Changes to the Housing Benefit Local Housing Allowance Scheme that will either increase the funding requirement for Homelessness or add pressure to the discretionary element of the Housing Benefit Budget.
- 4.4 In view of the certain need for further efficiencies, the budget timetable for the production of the base budget, has been accelerated by a month and a series of CMT/Cabinet Workshops are proposed as an integral part of this year's strategy. There will also be additional budget reports to Cabinet and Council when required.

5. FINANCIAL IMPLICATIONS - BUDGET MONITORING 1st QUARTER 2010/2011

- 5.1 A copy of the Council's approved Revenue Budget is enclosed as Appendix 1 for Members information.

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 first quarter as Appendix 2. These variances include:

- The Bank Base rate remains constant at 0.50%; and the recession is slower to recover than predicted in the budget so a forecast shortfall of £100,000 in projected External Interest is expected for this year. This is against the budget's expectation of 1.75%.
- It is anticipated that the overall increase in the revised budget position shown in Appendix 2, will be offset by savings in areas such as repairs and maintenance of buildings and homelessness which continue to be proactively managed; both these service areas showed savings in the final accounts report for 2009/2010.
- The continuing effects of the economic recession could have an overall adverse impact on the 2010/2011 budget, although this may 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 Council as necessary.
- The significant reorganisation of the West Midlands Councils (formerly known as West Midlands Local Government Association) to downsize and reduce their costs has cost implications in relation to the sharing of resultant Pension Liability for all of its member bodies including this Council. Full details are not yet known a further report will be made as appropriate.

5.3 A copy of the Income Generation Projection Report for the first 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.

5.4 A copy of the Council's Final Capital Programme and Vehicle Equipment and Systems Renewal Schedule for 2009/2010 is enclosed as Appendix 4.

5.5 An amended Capital Programme and Vehicle, Equipment and Systems Renewal Schedule for 2010/2011, including slippage from 2009/2010 is enclosed as Appendix 5.

5.6 A Progress Report of Cabinet Proposals is shown in Appendix 6.

5.7 Updated Prudential Indicators are included in Appendix 8.

5.8 There are no Supplementary Estimates or Virements to report for Quarter One.

6. ICELANDIC INVESTMENTS

6.1 As reported within the final accounts, the current position in relation to the Icelandic investments remains positive. At present the greatest risk relates to the challenge to the Council's preferred status for the Landsbanki deposit. No further information is available in relation to this challenge; however, members will be informed immediately if further information becomes available.

7. LEGAL AND POLICY IMPLICATIONS

7.1 The Local Government Act 2003 (sections 25–29) placed new duties on Local Authorities on how they set and prioritise budgets.

- 7.2 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. RISK MANAGEMENT

- 8.1 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. EFFICIENCY SAVINGS

- 9.1 The financial year 2010/2011 is the final year of the Comprehensive Spending Review (CSR) 07 replacing the former "Gershon" regime. The Budget Review Panel will be considering a revised Efficiency Strategy during the 2010/2011 budget process. Initially, an exercise will be undertaken to consider the relative priority of **all** Council services against a priority model adopted as part of 2010/13 Financial Strategy. The aim is for this to be complete by the end of October 2010. This will be aligned with revised strategy for this year's Budget Process of which a key element will be the requirement for efficiencies.

10. EQUALITY IMPACT ASSESSMENT

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

11. CONCLUSIONS/ACTION

- 11.1 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 30th June 2010, together with appropriate comments relative to key activities. This information is compared to the 2010/2011 Budget included in the full suite of Financial Strategy Reports.
- 11.2 It is clear that this will be the most challenging year in the history of the Council and will involve significant reduction in the funding that is available to support services; further reports will be made by the Director of Resources following the 20th October when the position should be clearer.

12. CONSULTEES

- 12.1 Corporate Management Team

- 12.2 Cabinet

13. BACKGROUND PAPERS

Council 24th February 2010 C.111

Cabinet Financial Strategy 2010/2013 22nd December 2009