

WYRE FOREST DISTRICT COUNCIL

COUNCIL MEETING

1ST MARCH, 2006

**Report of the Head of Financial Services in respect of
Sections 25-28 Local Government Act 2003**

AN OPEN ITEM	
COMMUNITY STRATEGY THEME	
CORPORATE THEME:	Improving Corporacy & Performance
KEY PRIORITY:	Financial and Asset Management
STRATEGY:	Financial Strategy
CABINET MEMBER:	Councillor John Campion
RESPONSIBLE OFFICER:	Head of Financial Services
CONTACT OFFICER:	Keith Bannister, Ext. 2100 keith.bannister@wyreforestdc.gov.uk
APPENDICES	None

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

The Council is asked to NOTE:

- 2.1 **The Head of Financial Services' opinion on the budget proposals recommended by the Cabinet on 16th February 2006, as detailed in the 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 the Head of Financial Services 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 Head of Financial Services, 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 (2006-2009).

4. KEY ISSUES - HEAD OF FINANCIAL SERVICES OPINION ON 2006/2007 BUDGET & THREE YEAR BUDGET STRATEGY

In respect of the Budget Proposals recommended by the Cabinet on 16th February, 2006, 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 22nd December 2005 (pages 31 and 32 of Blue Book) are adequate in relation to the 2006/2009 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 Budget for 2006/2009 Budgets.
- 4.4 The Cabinet monitors Budgets on a quarterly basis in accordance with Section 28 of the Act, including 'Budget Risk Management' and takes whatever action is deemed necessary 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. RISK MANAGEMENT

There are no Risk Management issues relating to this report.

8. CONCLUSION/FURTHER CONSIDERATIONS

8.1 The Council will continue to seek a long term solution to the proportion of expenditure funded out of Reserves. Whilst Reserves are at a level sufficient to fund the projected deficits on the Three Year Budget, a strategy will need to be put in place to ensure financial sustainability into the long term.

8.2 The Cabinet has agreed to such a strategy in paragraph 3.4 of the Budget Proposals using 'Gershon' principles to promote efficiencies through organisational change in order to improve front line services and maintain a balanced and sustainable budget.

9. CONSULTEES

9.1 CMT.

10. BACKGROUND PAPERS

10.1 Local Government Act 2003 Sections 25-28