



## **Council Excellence Overview and Scrutiny Committee**

<b>Date:</b>	<b>Wednesday, 30 January 2013</b>
<b>Time:</b>	<b>6.00 pm</b>
<b>Venue:</b>	<b>Committee Room 1 - Wallasey Town Hall</b>

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### **SUPPLEMENTARY AGENDA**

Please note that the enclosed report of the Interim Director of Finance is a revised version to the reports previously circulated with the main agenda document pack

#### **8. UNDER BUDGETING (Pages 1 - 4)**

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## WIRRAL COUNCIL

### Council Excellence Overview and Scrutiny Committee 30 January 2013

<b>SUBJECT:</b>	<b>Under Budgeting</b>
<b>WARD/S AFFECTED:</b>	<b>All</b>
<b>REPORT OF:</b>	<b>The Interim Director of Finance</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>The Leader</b>
<b>KEY DECISION?</b>	<b>No</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The Interim Director of Finance is undertaking an exercise to establish the veracity of the Council's base budget.
- 1.2 The initial evidence suggests that the base budget is understated by £25.3 million. Further work on verifying the base budget is being undertaken, this includes an independent investigation commissioned by the Chief Executive.
- 1.3 This report sets out the areas of under budgeting and the primary causes.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 There is evidence that the Council has had under budgeting issues for a number of years. The outturn position for the financial years since 2009/10 report an overspend mainly funded by one off non-recurring income or savings.

Financial Year	Overspend excluding "one offs"
2009/10 Outturn	£6.8 million
2010/11 Outturn	£9.3 million
2011/12 Outturn	£14.6 million
2012/13 Month 7 position	£17.0 million
2013/14 Provisional base budget	£25.3 million

- 2.2 In the past the under budgeting has been funded from one off items such as grants, reserves and balances. These "one off" items have been exhausted. The constraint on Local Government spend and the need for Wirral to reduce its net expenditure by £109 million recommended, has meant that the Council

must address both the underlying under budgeting and the financial management, control and reporting that has failed to address the root causes of the problem.

2.3 The table below sets out the current position on under budgeting. Members should note that our initial budget assumptions for 2013/14 allocated £8 million to addressing the under budgeting issue.

Category	DASS	CYP	Finance	Law/HR /AM	RHP	Tech.	Total
	£million	£million	£million	£million	£million	£million	£million
Income Target not met	-	-	0.4	0.4	0.8	2.4	4.0
Savings not achieved	5.3	2.0	1.8	0.9	0.1	0.7	10.8
Increased Demand	8.8	4.9	-	0.1	-	0.1	13.9
Withdrawal of External Funding	0.9	0.4	-	-	0.1		1.4
Job Evaluation/ Pension Cost	1.1	-	0.3	0.1	0.1	-	1.6
Under recovery Technical Fees	-	-	-	1.3	-		1.3
Less Savings Identified	-3.3	-0.1	-2.5	-0.4	-1.0	-0.4	-7.7
<b>TOTAL NET UNDER BUDGET</b>	<b>12.8</b>	<b>7.2</b>	<b>0</b>	<b>2.4</b>	<b>0.1</b>	<b>2.8</b>	<b>25.3</b>

2.4 Further work is being undertaken to fund the under budgeting, by either determining the veracity of the figures and/or identification of alternate funding opportunities, for example, some element of the under budgeting can be resolved by improving process to reduce the cost of transactions and by being more efficient. The findings of independent investigation, commissioned by the Chief Executive will be considered in early February 2013.

### 3.0 RELEVANT RISKS

3.1 The Council must resolve the under budgeting issues to enable it to set a budget. The Interim Director of Finance is required to report to the Council at the time that the budget is considered and the Council Tax set on both the robustness of the budget estimates and the adequacy of Finance reserves.

### 4.0 OTHER OPTIONS CONSIDERED

4.1 N/A

## **5.0 CONSULTATION**

5.1 N/A

## **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 None

## **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 none

## **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 As set out in the report.

## **9.0 LEGAL IMPLICATIONS**

9.1 see section 3.1.

## **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 None

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 None

## **13.0 RECOMMENDATION/S**

13.1 Members note the report.

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## **APPENDICES**

none

**BACKGROUND PAPERS/REFERENCE MATERIAL**

None

**BRIEFING NOTES HISTORY**

Briefing Note	Date

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date