

Cabinet / Cabinet Team	<u>CABINET (RESOURCES) PANEL</u>			Date	<u>08.09.09</u>
Portfolio(s)	<u>ALL</u>				
Originating Service Group(s)	<u>CUSTOMER AND SHARED SERVICES</u>				
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					KEY DECISION Yes IN FORWARD PLAN Yes
Title/Subject Matter	<u>QUARTER ONE REVENUE BUDGET MONITORING 2009/10</u>				

Recommendations

That Members:

- (i) Note the projected outturn for the General Fund which is a net budget deficit of £0.677M (0.3%) (paragraph 3.2).
- (ii) Note that work is in progress to identify options to ensure that expenditure does not exceed budget by the end of the financial year (paragraph 3.2).
- (iii) Note that options to deliver one-off savings during 2009/2010 are being considered so as to reduce the planned use of £5.311M of the General Fund Balance during 2009/2010 (paragraph 3.3).
- (iv) Note the projected balance on the General Fund Balance at the end of 2009/2010 is £23.324M (paragraph 5.3.1).
- (v) Note that, within the budget framework as defined by the Council's Constitution, the Chief Financial Officer will continue to calculate and implement budget adjustments during the year as the Savings and Transformation Programme develops and services are reconfigured (paragraph 3.7).

- (vi) Note that good progress is being made against the delivery of the 2009/2010 savings target of £14.3M and in particular (section 6):
 - a. That £8.016M has been fully implemented.
 - b. That whilst there is a high level of confidence in the delivery of £11.982M a sum of £0.624M is highlighted as at risk of not being achieved.
 - c. That work is in progress to identify options to generate alternative savings proposals to replace the £0.624M at risk.
 - d. That work continues to ensure that the balance of £1.694M is delivered during the year.
- (vii) Approve the use of £0.283M of the budgeted contingency, and the associated budget virements, to address budget issues within:
 - a. Legal Services - £0.031M (paragraph 5.1.2)
 - b. Adult Social Services - £0.252M (paragraph 5.1.3)
- (viii) Approve the allocation of £0.041M of the Efficiency Reserve, and the associated budget virements, to fund new equipment to enable charges to be made for car parking on two separate car parks (paragraph 5.2).
- (ix) Note that collection performance is ahead of target for Council Tax and Business Rates (paragraph 7.1).
- (x) Approve the write off of 23 Business Rates debts that exceed £5,000, amounting to a total of £229,760.92 (paragraph 7.1.4).
- (xi) Note that overall the collection of Sundry Debtors is slightly behind last year's performance at this point in the financial year (paragraph 7.2.1)
- (xii) Note the significant budget risks that face the Council (section 8).
- (xiii) Note the projected outturn for the Housing Revenue Account which is a net budget surplus of £0.035M (paragraph 9.1).
- (xiv) Note the projected balance on the Housing Revenue Account at the end of 2009/2010 is £2.756M (paragraph 9.3).
- (xv) Note the significant financial pressures that are forecast against Schools' budgets during this and future financial years (section 10).

QUARTER ONE REVENUE BUDGET MONITORING 2009/2010

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Members with an update on the projected outturn position for revenue budgets and revenue income, compared with the Council's approved Revenue Budget for 2009/10 and related targets as at the end of quarter one of 2009/2010. Due to the timing of the report it has been possible to include information from beyond the end of the first quarter, where this is available.

2. EXECUTIVE SUMMARY

- 2.1 Overall an overspend of £0.829M (0.3%) is projected against the General Fund net budget requirement, this is partially offset by a lower than budgeted distributed deficit from the Collection Fund. As a result it is projected that there will be an increased call on the General Fund Balance of £0.677M during 2010/2011. It is however worth noting that work is in progress to identify options to ensure that expenditure does not exceed budget by the end of the year. In fact options to deliver one-off savings during 2009/2010 are also being considered with the aim of not only ensuring that expenditure does not exceed budget but to actually reduce the planned use of £5.311M of the General Fund Balance agreed as part of the 2009/2010 Budget Strategy. This is necessary due to the significant financial risks faced by the Council and the challenging financial outlook.
- 2.2 As at the end of July 2009 there is a high level of confidence that £11.982M of the 2009/2010 savings target of £14.3M will be delivered and £8.016M has already been fully implemented. A sum of £0.624M has been highlighted as being at risk of not being achieved, however, work is in progress to identify options to generate alternative savings proposals. For now the £0.624M has been included in the projected outturn position, in order that the projections reflect a prudent position. Work is continuing to ensure that the balance of £1.694M is delivered during the year, the majority of this sum has been allocated to the Delaying of Management and Admin workstream.
- 2.3 The amount of Council Tax and Business Rates collected by the end of the first quarter of 2009/2010 is ahead of target and also of that achieved for 2008/2009, with the collection of Business Rates being significantly better.
- 2.4 Sundry Debtor arrears and write offs at the end of June are slightly behind last year's performance at this point in the financial year overall. However, when considering the Housing Revenue Account in isolation it is slightly ahead of this period last year.
- 2.5 Against the Housing Revenue Account (HRA) a small surplus of £0.035M is projected for the year compared to budget. This combined with the budgeted surplus of £1.581M will increase the HRA General Balance by £1.617M, to £2.756M, by the end of March 2010.
- 2.6 Concerning schools budgets a significant reduction in balances held by schools is projected for the current financial year (£6.6M), with a further reduction of £4.7M during 2010/2011. Significantly, a number of schools are forecasting a deficit position by March 2010 and initial budget plans have demonstrated significant financial concerns for 2010/2011.
- 2.7 The main reasons contributing towards this overall projected outturn position are explained within this report.

REPORT DETAILS

3. REVENUE BUDGET MONITORING – GENERAL FUND SUMMARY

- 3.1 A summary of the authority's projected outturn against General Fund revenue budgets for 2009/2010 as at the end of quarter one is provided in the table below, whilst section 4 provides a detailed explanation of the projected outturn for each directorate.

Table 1 – 2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010	Projected Outturn 2010/2011	Projected Variation Over/(Under)	
	£M	£M	£M	%*
Children and Young People	74.064	74.483	0.419	0.6%
Adults and Communities	106.433	107.770	1.337	1.3%
Regeneration and Environment	57.957	57.608	(0.349)	(0.6%)
Customer & Shared Services & Office of the Chief Executive	20.101	19.558	(0.543)	(2.7%)
Corporate Budgets	1.665	1.630	(0.035)	(2.1%)
Net Budget Requirement	260.220	261.049	0.829	0.3%
Formula Grant	(141.440)	(141.440)	0	0%
Area Based Grant	(21.982)	(21.982)	0	0%
Council Tax	(93.087)	(93.087)	0	0%
Collection Fund Deficit	1.600	1.448	(0.152)	(9.5%)
<i>Planned Use of General Fund Balance (Budget Deficit)</i>	<i>(5.311)</i>	<i>(5.988)</i>	<i>(0.677)</i>	<i>12.7%</i>
Total Resources	(260.220)	(261.049)	(0.829)	0.3%
Balance	0	0	0	0%

*NOTE: a positive percentage change represents an increase in costs/decrease in income

- 3.2 Overall an overspend of £0.829M (0.3%) is projected against the net budget requirement of £260.220M, this is partially offset by a lower than budgeted distributed deficit from the Collection Fund, which will increase available resources by £0.152M. As a result it is projected that there will be an increased call on the General Fund Balance of £0.677M during 2009/2010, which would leave a balance of £23.324M by the end of the year. It is however worth noting that corrective action is being undertaken with the aim of ensuring that expenditure does not exceed budget by the end of the year.
- 3.3 In fact options to deliver one-off savings during 2009/2010 are also being considered with the aim of not only ensuring that expenditure does not exceed budget but to actually reduce the planned use of £5.311M of the General Fund Balance agreed as part of the 2009/2010 Budget Strategy. This is a necessary course of action as the Council continues to be faced with significant financial risks and a challenging financial outlook in 2010/2011 onwards. An update on the General Fund Budget Risks, identified as part of the 2009/2010 budget process is provided at paragraph 8.

- 3.4 The most significant budget pressure faced by the Council relates to care provision for adults, this is due to an increase in demand due to a combination of demography and need as the age profile of the City changes. This is a national issue that most councils who are responsible for adult Social Care are having to deal with. At this stage it is anticipated that the cost of care provision for Children can be contained within budget, however, demand is increasing, largely as a result of the Baby P case in Haringey and it is very likely that the associated pressures will not be containable during 2010/2011. This is also a national issue that most councils with responsibility for Children's Social Care are having to deal with.
- 3.5 In order to be prudent with projections a 1.5% pay award has been assumed, this is slightly higher than the latest offer by Local Government Employers (based on a range of 1.0% to 1.25% dependent on grade), this therefore provides some headroom should the offer improve following negotiations. Although it does appear that this will be extremely unlikely and it is possible that the final pay award could be lower than the current offer due to significant unease within the local government community, particularly within London, with the level of the current offer in the present financial and economic climate. To put this into context a change of 1% in the pay award equates to about £1.3M.
- 3.6 It is also worth noting that significant savings were achieved for the current financial year against the cost of gas and electricity as a result of fixed prices that were secured for a 12 month contract. However, at this stage the full effect of these savings are not reflected in projections as not enough billing information is available to produce robust figures, these projections will be refined as we progress through the year.
- 3.7 Recommendation (iv) of the March 2009 Revenue Budget report read "*Note that, within the budget framework as defined by the Council's Constitution, the Chief Financial Officer will calculate and implement budget adjustments during the year to reflect the financial impacts of Savings Programme initiatives that are implemented during the year*". The budgets detailed in Table 1 above reflect such changes made to date, including transfers into Customer and Shared Services to reflect the bringing together of a number of functions and services, e.g. repairs & maintenance, furniture & equipment, corporate facilities management etc, and the realignment of Adult Services budgets to reflect a transition in service provision from internal to external, the total of these adjustments amounts to some £1.5M. Unlike budget virements these budget adjustments do not redirect resources to different services and priorities, instead they reflect revised service configuration and budget responsibilities. Members are requested to note that these budget adjustments will continue through the year as the Savings and Transformation Programme develops and services are reconfigured.
- 3.8 The projected outturn figures reflect employee turnover which stands at 6.1% for the 5 months to the end of August 2009, with 245 new starters during the 5 month period and 736 leavers, a net reduction of 491. These figures include turnover within schools of 103 new starters and 367 leavers, a net reduction of 264. These figures exclude casuals. Further work is in progress to analyse the changes in the Council's staffing establishment.
- 3.9 The most significant factors contributing towards the projected overspend against the net budget requirement are reported within section 4.

4. GENERAL FUND REVENUE BUDGET MONITORING; SERVICE ANALYSIS

4.1 **Children and Young People** – A summary of the projected outturn against the Children and Young People 2009/2010 revenue budget, as at the end of quarter one, is provided in the table below, whilst a detailed analysis is provided in Appendix A.

Table 2 – 2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010 £M	Projected Outturn 2010/2011 £M	Projected Variation Over/(Under)	
			£M	%
Children and Young People	74.064	74.483	0.419	0.6%

4.1.1 Overall a net overspend of £0.419M (0.6%) is projected for the year, the main factors contributing towards this position are:

4.1.2 **Development and Resources** – The cost incurred by the Council for supply cover within schools is projected to exceed budget by £0.430M and pressure is being experienced against the Home to School Transport Service (£0.227M), these cost pressures are partially offset by projected savings against employee budgets due to vacant posts (£0.307M).

4.1.3 **Quality and Improvement** – A projected shortfall against income (£0.396M) due to a combination of factors is partially offset by projected savings against employee budgets (£0.219M), which has been achieved as a result of management action in order to ensure that actual expenditure is as close to budget as possible.

4.1.4 One important point to note is that at this stage in the financial year it is anticipated that the cost of care provision for Children can be contained within budget, however, demand is increasing, largely as a result of the Baby P case in Haringey and it is very likely that the associated pressures will not be containable during 2010/2011. This is a national issue that most councils with responsibility for Children's Social Care are having to deal with.

4.1.5 Section 10 provides an update on Schools' Budgets.

4.2 **Adults and Communities** – A summary of the projected outturn against the Adults and Communities 2009/2010 revenue budget, as at the end of quarter one, is provided in the table below, whilst a detailed analysis is provided in Appendix B.

Table 3 – 2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010 £M	Projected Outturn 2010/2011 £M	Projected Variation Over/(Under)	
			£M	%
Adults and Communities	106.433	107.770	1.337	1.3%

4.2.1 Overall a net overspend of £1.337M (1.3%) is projected for the year, the main factors contributing towards this position are:

- 4.2.2 **Service Strategy** – A shortfall of £0.624M is projected against the 2009/2010 savings target for Adult Services of £2.470M. However, work is in progress to identify options to generate alternative savings proposals, where appropriate any alternative savings proposals that are generated will be reported to Members for consideration and approval.
- 4.2.3 **Older People** – The cost of care provision is projected to overspend by £0.930M (3.2% of budget), this is due to an increase in demand due to a combination of demography and need as the age profile of the city changes. This is a national issue that most councils who are responsible for Adult Social Care are having to deal with.
- 4.2.4 **Physical or Sensory Disability** – The cost of care provision is projected to overspend by £0.860M (25.4% of budget), this is due to an increase in demand due to a combination of demography and need as the age profile of the city changes. As with Older People this is a national issue that most councils who are responsible for Adult Social Care are having to deal with.
- 4.2.5 **Learning Disabilities** – The cost of care provision is projected to overspend by £1.120M (9.1% of budget), this is due to an increase in demand due to a combination of demography and need as the age profile of the city changes. As with Older People and Physical or Sensory Disability this is a national issue that most councils who are responsible for Adult Social Care are having to deal with.
- 4.2.6 To help alleviate some of the budget pressures being experienced within Adult Services savings are being identified across the directorate, the most significant being £1.267M against third party payments and preventative expenditure which are included within the Commissioning, Contracting, Performance and Quality budgets. In addition one-off resources, in the form of reserves held on the balance sheet, amounting to £1.100M can be released, this sum largely comprises income received from the PCT during the previous financial year that was set aside for use in such circumstances.
- 4.2.7 The combination of ever increasing costs combined with the fact that one-off resources are having to be utilised to minimise as far as possible projected overspends, indicates that future budgets are going to be subjected to extreme pressures. This issue will have to be considered as part of the forthcoming budget process for 2010/2011.
- 4.2.8 In addition to the issues detailed above a further potential one-off budget pressure may be experienced during 2009/2010 as a result of Winter Pressures on the Health Service. As this is a one-off issue it is proposed that this is addressed through an allocation from the budgeted contingency, further details are provided at paragraph 5.1.3.
- 4.2.9 **Parks and Allotments** – The grounds maintenance programme is projected to overspend by £0.150M, this is a historical issue and the budget has been overspending for many years, this issues therefore needs to be addressed as part of the 2010/11 budget process. In addition to this pressure is being experienced against maintenance budgets due to the completion of various capital schemes (£0.091M).

- 4.3 **Regeneration and Environment** – A summary of the projected outturn against the Regeneration and Environment 2009/2010 revenue budget, as at the end of quarter one, is provided in the table below, whilst a detailed analysis is provided in Appendix C:

Table 4 –2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010	Projected Outturn 2010/2011	Projected Variation Over/(Under)	
	£M	£M	£M	%
Regeneration and Environment	57.957	57.608	(0.349)	(0.6%)

- 4.3.1 Overall a net saving of £0.349M (0.6%) is projected for the year, the main factors contributing towards this position are:
- 4.3.2 **Highways/Roads (Routine)** – An overspend of £0.216M is projected against the cost of electricity for street lighting.
- 4.3.3 **On Street Parking** – Additional income of £0.100M is projected.
- 4.3.4 **Management and Support Services** – A saving of £0.130M is projected against employee budgets due to a number of posts that are being held vacant.
- 4.3.5 **Planning and Environment** – Overspends are projected against Legal Fee budgets, where it is projected £0.200M will be required to respond to the Health and Safety Executive’s claim for Judicial Review and also against Planning Fee Income (£0.240M), as a result of the national economic climate.
- 4.3.6 **Waste Disposal** – Additional income of £0.210M is projected as a result of the sale of spare incinerator capacity.
- 4.3.7 **Markets** – A shortfall of £0.170M is projected against Rent and Service Charges budgets for the Wolverhampton Retail Market, this is due to vacant stalls.
- 4.3.8 **Internal Trading Accounts** – A net surplus of £0.300M is projected for the Council’s Internal Trading Accounts (e.g. cleaning of buildings, catering, transport, grounds maintenance etc).

- 4.4 **Customer & Shared Services & Office of the Chief Executive** – A summary of the projected outturn against Customer & Shared Services and the Office of the Chief Executive 2009/2010 revenue budgets, as at the end of quarter one, is provided in the table below, whilst a detailed analysis is provided in Appendix D:

Table 5 – 2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010 £M	Projected Outturn 2010/2011 £M	Projected Variation Over/(Under)	
			£M	%
Customer & Shared Services	14.366	14.084	(0.281)	(2.0%)
Office of the Chief Executive	5.735	5.473	(0.262)	(4.6%)
Total	20.101	19.558	(0.543)	(2.7%)

- 4.4.1 Overall a net saving of £0.543M (2.7%) is projected for the year. In the main the net saving is being achieved as a result of opportunities to make savings that were identified as part of the 2008/2009 final accounts process. There are however two budget pressures that have reduced the overall level of savings, these are:
- 4.4.2 **Corporate Procurement** – A shortfall against the income budget is projected (£0.132M) due to lower than budgeted retrospective discounts being achieved from suppliers.
- 4.4.3 **Legal Services** – A shortfall against the Land Charges income budget is projected (£0.093M) due to a combination of changes in legislation and the current economic climate where demand has fallen due to a decline in the Housing Market.
- 4.4.4 In addition to these issues a further budget pressure has been identified within Legal Services due to the requirement to provide Legal support to a number of key corporate projects and developments, particularly LIFT. It is proposed that this is addressed through an allocation from the budgeted contingency, further details are provided at paragraph 5.1.2. Any ongoing impact will be addressed as part of the forthcoming 2010/2011 budget exercise.
- 4.5 **Corporate Budgets** – A summary of the projected outturn against 2009/2010 Corporate Revenue Budgets, as at the end of quarter one, is provided in the table below, whilst a detailed analysis is provided in Appendix E:

Table 6 – 2009/2010 Revenue Budget Projected Outturn

	Budget 2009/2010 £M	Projected Outturn 2010/2011 £M	Projected Variation Over/(Under)	
			£M	%
Corporate Budgets	1.665	1.630	(0.035)	(2.1%)

- 4.5.1 Overall a net saving of £0.035M (2.1%) is projected for the year. The main factors contributing towards this position are a projected shortfall against investment income (£0.662M) which is offset by savings against the cost of interest payable on borrowing.

This has been achieved as a result of the Treasury Management Strategy adopted by the Council for 2009/2010 whilst returns on investment remain so low.

4.5.2 In due course the Council may receive some LAA Reward Grant from the Government in recognition of the performance against agreed targets. At this stage nothing is projected as it is not possible to accurately project this and the timing of the receipt of any grant is yet to be confirmed. As and when the levels of grant become clear the application of that grant will be discussed with the LSP.

5. GENERAL FUND REVENUE BUDGET MONITORING – BUDGETED CONTINGENCY, EFFICIENCY RESERVE AND GENERAL FUND BALANCE

5.1 Budgeted Contingency

5.1.1 Due to the significant financial risks faced by the Council and the challenging financial outlook a budgeted contingency of £1m was incorporated into the 2009/2010 budget to address budget issues that may arise during the year, to date two such issues have been identified, these are:

5.1.2 **Legal Support** – The requirement to provide Legal support to a number of key Corporate projects and developments, particularly LIFT, has resulted in the need for additional Legal resources, this is estimated to cost £0.031M during 2009/2010, it is proposed that the £0.031M is vired to the Legal Services budget. Any ongoing impact will be addressed as part of the forthcoming 2010/2011 budget exercise.

5.1.3 **Adult Social Services** – As a result of the Royal Wolverhampton Hospital Trust's decision to open an additional 50 beds to cope with an anticipated increase in demand over the winter period, including the potential risks of swine flu, it will be necessary for the Council's Hospital Social Work Team to be expanded during this period. This is necessary to deal with the associated increase in the number of discharge assessments that will be required. In addition it is anticipated that the increased number of discharges will result in an increase in the number of people requiring domiciliary and residential care when they are discharged. The total additional costs that are estimated as a result of these 50 beds is £0.252M. It is proposed that a £0.252M commitment is made against the contingency to fund these estimated costs but that actual allocations from the contingency are only made once the costs actually materialise and are evidenced.

5.1.4 Taking account of these commitments an uncommitted sum of £0.717M is available for the remainder of 2009/2010. Approval of these two commitments and associated virements is sought from Members.

5.2 Efficiency Reserve

5.2.1 As part of the final accounts process for 2008/2009 a new specific reserve, the Efficiency Reserve, was established to fund redundancy costs and to allow pump priming and investment in new developments and initiatives, where the main aim is to generate efficiencies and savings in the future. To date two bids for pump priming funding have been made against the Efficiency Reserve, these are:

5.2.2 **St Peter's Car Park** – A bid of £0.030M to fund new equipment that will enable charges to be made for parking outside of office hours, it is estimated that a minimum net income of £0.040M in a full financial year will be generated as a result.

- 5.2.3 **Oxford Street Car Park** – A bid of £0.011M to fund new equipment that will enable the introduction of pay and display arrangements, which it is estimated will generate a minimum net income of £0.040M annually as a result.
- 5.2.4 Approval of these two commitments and associated virements is sought from Members. It should however be noted that the revised charging arrangements remain subject to approval and will be the subject of future Green Decisions.

5.3 **General Fund Balance**

- 5.3.1 The impact of the projected 2009/2010 outturn for the General Fund on the General Fund Balance is detailed below.

Table 7 – Projected General Fund Balance

	£M
Balance as at 1 April 2009	29.312
Projected 2009/2010 Use of Balances to Support the Budget	(5.988)
Balance at 31 March 2010	23.324

6. **GENERAL FUND REVENUE BUDGET MONITORING; SAVINGS AND TRANSFORMATION PROGRAMME**

- 6.1 The table below provides an update on progress being made against the £14.3M savings target that was incorporated into the 2009/2010 budget, whilst Appendix F provides a more detailed analysis, the figures reflect the position at the end of July 2009. As can be seen, despite only being four months into the financial year there is a high level of confidence that £11.982M will be delivered during the year and £8.016M has already been fully implemented.

Table 8 – 2009/2010 Savings and Transformation Programme

Saving Area	Savings Targets	Estimated Savings with a High Level of Confidence	Actual Savings "Banked"
	£M	£M	£M
Children & Young People	2.393	2.223	1.526
Adults & Community	4.232	3.549	2.640
Regeneration & Environment	2.502	2.502	2.206
Customer & Shared Services	1.408	1.387	0.782
Office of the Chief Executive	0.178	0.178	0.178
Cross Cutting Efficiencies	2.488	2.143	0.684
Delaying of Management & Admin	1.099	0	0
Total	14.300	11.982	8.016

6.2 The Savings and Transformation Programme is the subject of very close monitoring and to date only one area of risk has been highlighted, this is within the Adult Services element of the Savings and Transformation Programme and amounts to £0.624M. Work is in progress to identify options to generate alternative savings proposals, however, a prudent approach has been adopted and for now the projected shortfall £0.624M has been taken account of in the projected outturn position. Where appropriate any alternative savings proposals that are generated will be reported to Members for consideration and approval. Work is also continuing to ensure that the balance of £1.694M is delivered during the year, the majority of this sum has been allocated to the Delaying of Management and Admin workstream.

7. GENERAL FUND REVENUE BUDGET MONITORING; CORPORATE INCOME

7.1 **Council Tax and Business Rates** – The collection of Council Tax and Business Rates is accounted for within the Collection Fund, although this is separate to the General Fund any balance, surplus or deficit, on the Collection Fund at the end of a financial year is shared between the precepting authorities, i.e. the Council, the Fire Authority and the Police Authority. The distribution of any balance for 2009/2010 will take place in future financial years as part of the 2010/2011 budget setting process, so collection performance will ultimately have an impact on the Council's General Fund.

7.1.1 The amount due for Council Tax and Business Rates and the amount of actual income collected by the end of the first quarter of 2009/2010 is summarised below, overall the rate of collection is ahead of target and also of that achieved for 2008/2009 and the collection of Business Rates is significantly better:

Table 9 – Collection of Amounts Due

	Amount Due £M	Amount Collected		Target Collection %	2008/2009 Collection %
		£M	%		
Council Tax	77.503	21.667	28.0	27.4	27.4
Business Rates (NNDR)	72.767	22.535	31.0	28.9	24.4

Note – Amounts due are for the current year only and exclude arrears, they also exclude summons costs and are net of all allowances, exemptions, rebates and reliefs granted by the end of the first quarter of 2009/2010.

7.1.2 Changes in the amount of arrears by the end of the first quarter of 2009/2010 are detailed below:

Table 10 – Changes in Arrears

	Arrears at 1 April 2009 £M	Amount Collected during 2009/2010 £M	Changes in Amounts Due during 2009/2010 £M	Arrears at 30 June 2009 £M
Council Tax	6.932	(0.835)	0.101	6.197
Business Rates (NNDR)	4.262	(0.560)	0.035	3.667

7.1.3 A comparison of total cash collected (excluding costs) by the end of the first quarter of 2009/2010 is provided below:

Table 11 – Total Cash Collected (excluding costs)

	2008/2009 £M	2009/2010 £M	Increase	
			£M	%
Council Tax	21.014	21.249	0.235	1.1
Business Rates (NNDR)	18.100	20.609	2.509	13.9

7.1.4 Although every effort is made to collect all income due to the Council this is not always possible for various reasons and unfortunately despite all efforts some debts do end up having to be written off. In accordance with Financial Procedure Rules Cabinet (Resources) Panel must approve any write offs in excess of £5,000, during the year to date 23 such cases of Business Rates have been identified amounting to a total of £229,760.92, full details are provided at Appendix G. The reasons for the write offs are either due to insolvency or where the company has ceased trading and there are no assets. Although the Chief Financial Officer has authority to write off any amount where this relates to an insolvency these details have been provided for completeness. Members' approval is sought to write these debts off.

7.2 **Sundry Debtors** – Income is due to the Council for a wide range of services provided to individuals and businesses. Sundry Debtor invoices totalling around £100M each year are sent out to customers, these sums then have to be collected. When an invoice is raised the income is credited straight to service budgets, if this income is not collected it must be written off, where this is necessary the write off is charged against the Council's bad debt provision, therefore the collection performance of Sundry Debtors has a direct impact on the Council's budgets and for that reason this performance is closely monitored.

7.2.1 A summary of Sundry Debtor arrears and write offs at the end of June is provided below, overall performance is slightly behind last years at this point in the financial year, although when considering the Housing Revenue Account in isolation it is slightly ahead of this period last year.

Table 12 – Sundry Debtor Arrears and Write Offs

	2008/09		2009/10	
	Arrears £M	Cumulative Write Offs £M	Arrears £M	Cumulative Write Offs £M
General Fund	12.147	0.007	12.784	0.026
Housing Revenue Account	0.839	0.004	0.755	0.002
Total	12.986	0.011	13.539	0.028

8. GENERAL FUND REVENUE BUDGET MONITORING; KEY BUDGET RISKS

8.1 Appendix H provides a detailed analysis of the General Fund budget risks, reported to Members as part of the 2009/2010 budget process, taking account of the latest information. Information is provided which describes and where possible quantifies the risk, the action that will be taken to mitigate its effect and the residual exposure.

8.2 The risks are grouped into six main areas:

- **Financial and Budget Management:** focussing on effective budget monitoring, efficiency improvement built into the 2009/2010 base budget, the impact of non-pay inflation and pay awards, a staff vacancy factor, VAT matters, changes in accounting practice, council tax capping, the level of the general fund reserves and equal pay/single status.
- **Savings and Transformation Programme:** focussing on the Savings Programme and its implementation, any Axon settlement and the development of a new Transformation Programme.
- **Income Levels:** addressing risks associated with grants and contributions, planning and building regulation fees, land charges, car parking and other income, treasury management (interest rates) and bad debts.
- **Service Demands:** highlighting the risks associated with demand led services such as looked after children and vulnerable adults and the general impact of changing social, demographic and economic circumstances.
- **The Capital Programme:** focussing on interest rates and the level of capital receipts.
- **Service Suppliers:** dealing with the risks to commercial suppliers and the voluntary sector.

8.3 The scale of the risks confronting the Council is significant not only in terms of their number but also their potential financial impact should they arise. The most significant and material risks relate to achieving the Savings and Transformation Programme target and any settlement with Axon Solutions Ltd.

8.4 Appendix H also details estimates of the potential value of the risk exposure, where this can be estimated, in order to inform the level of general fund reserves which need to be retained. This confirms the materiality of the risks that are faced in the context of the resources available to manage them.

8.5 Nonetheless, it is not possible to eliminate all risks. Council officers have, therefore, undertaken a thorough assessment of budget risks, and of the ways in which these will be managed. Further details are set out in Appendix H.

9. REVENUE BUDGET MONITORING – HOUSING REVENUE ACCOUNT

9.1 A summary of the 2009/2010 projected net outturn for the HRA, as at the end of quarter one, is provided in the table below whilst Appendix I provides a more detailed analysis:

Table 13 – 2009/2010 HRA Revenue Budget Projected Outturn

	Budget 2009/2010	Projected Outturn 2010/2011	Projected Variation Over/(Under)	
	£M	£M	£M	%*
Income	(78.837)	(77.136)	1.701	(2.2%)
Expenditure	63.866	63.222	(0.644)	(1.0%)
Net Cost of Services	(14.971)	(13.914)	1.057	(7.1%)
Net Cost of Borrowing and Investments	13.390	12.297	(1.092)	(8.2%)
Deficit/(Surplus) for the Year	(1.581)	(1.617)	(0.035)	(2.2%)

*NOTE: a positive percentage change represents an increase in costs/decrease in income

9.2 The most significant factors contributing towards the projected £0.035M saving are:

9.2.1 **Rental Income** – Which is projected to be £1.808M below budget, this is largely due to the approval of a reduced rent increase for 2009/2010.

9.2.2 **Other Income** – Charges to Tenants for services and facilities are projected to exceed budget by £0.107M.

9.2.3 **Interest Payable** – Where a saving of £1.095M is projected against the budget, this is due to the cost of borrowing being lower than anticipated as a result of a reduced interest rate. This has been achieved as a result of the Treasury Management Strategy adopted by the Council for 2009/2010.

9.2.4 **Negative HRA Subsidy** – Where a saving of £0.608M is projected against the budget, this is directly related to the reduced rental income and interest payable detailed above, both of these factors feature in the calculation of HRA Subsidy. Lower rents levels result in lower subsidy deductible whilst lower interest payable results in lower subsidy receivable.

9.3 **Housing Revenue Account General Balance** – The impact of the projected 2009/2010 outturn for the HRA against the HRA General Balance is detailed below:

Table 14 – Projected Housing Revenue Account Balance

	£M
Balance as at 1 April 2009	1.140
Projected 2009/2010 Contribution to Balance	1.617
Projected Balance at 31 March 2010	2.756

9.3.1 Of the £2.756M projected balance, a sum of £0.500M is earmarked as a general contingency, this sum will therefore not be committed to future budget strategies and should only be used in exceptional circumstances.

10. REVENUE BUDGET MONITORING – SCHOOLS' BUDGETS

- 10.1 For schools, the 2009/2010 financial year is the second year of a three year “guarantee period” for the schools funding arrangements. The purpose of the guarantee period is to maximise funding stability and certainty for schools over an extended period, thereby facilitating their long term planning. This objective applies to all delegated and devolved funding which schools receive.
- 10.2 The Schools’ Budget is funded by the DCSF via the Dedicated Schools Grant (DSG), which is calculated using a guaranteed unit of funding multiplied by pupil numbers from the January Census. The guaranteed unit of funding for 2009/2010 is £4,309. Pupil numbers within the City have continued to fall for a number of years. This is having a detrimental effect on the year on year DSG uplift and a consequent effect on schools’ delegated budgets. In order to provide support to authorities with falling rolls, the DCSF guarantees minimum cash increase of 2% each year. When compared to 2008/2009, the overall uplift for Wolverhampton in 2009/2010 is 2.06%. It is proposed to spend the whole of the Dedicated Schools Budgets on schools but without further direct discretionary support from council tax payers. The Dedicated Schools Grant for 2009/2010 is £149.595M. This is net of a topslice of £2.203M for the South Wolverhampton and Bilston Academy which will open in September.
- 10.3 It is important to note that, as any variances against schools delegated budgets are transferred either to or from schools’ accumulated reserves, their outturn position is financially neutral to the Council’s General Fund. However, the table below clearly shows that, based on the original budget plans prepared by schools in April this year, a significant reduction in balances held by schools is projected of £6.6M during the current financial year and £4.7M for the year ending March 2011. Significantly, a number of schools are currently forecasting that they will be in a deficit position by March 2010, and initial budget plans have demonstrated significant financial concerns for 2010/2011. To mitigate the position, officers are working closely with schools to re-visit, review and refine budget assumptions in order to ensure, where able, that expenditure does not exceed budget going forward. Further budget plans will be prepared during the autumn term, when significant emphasis will be placed on ensuring that schools’ expenditure does not exceed budget.

Table 15 – Analysis of Schools Balances 2009/2010 and 2010/2011

	Actual Balances at 1 April 2009 Surplus/ (Deficit)	Planned Use of Balances In 2009/10	Forecast Balances at 31 March 2010 Surplus/ (Deficit)	Planned Use of Balances In 2010/11	Forecast Balances at 31 March 2011 Surplus/ (Deficit)
	£M	£M	£M	£M	£M
Infant	0.8	(0.2)	0.6	(0.1)	0.5
Junior	0.7	(0.3)	0.4	(0.4)	0
Primary	4.4	(2.0)	2.4	(1.1)	1.3
Secondary	3.2	(3.4)	(0.2)	(2.2)	(2.4)
Special	1.1	(0.5)	0.6	(0.7)	(0.1)
Nursery	0.5	(0.2)	0.3	(0.2)	0.1
Total	10.7	(6.6)	4.1	(4.7)	(0.6)

11. FINANCIAL IMPLICATIONS

11.1 These are set out in the body of the report.

12. LEGAL IMPLICATIONS

12.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.

13. EQUAL OPPORTUNITIES AND ENVIRONMENTAL IMPLICATIONS

13.1 This report has no direct implications for the Council's Equal Opportunities and Environmental Policies. However, any consideration given to the use of reserves and/or balances could have direct or indirect Equal Opportunities or Environmental implications, these will need to be considered as and when sums are allocated from reserves and/or balances.

13.2 In addition any future changes to the approach to collection of income due to the Council could have direct or indirect Equal Opportunities or Environmental Implications, these will be considered as and when such changes are considered.

13.3 It should also be noted that during 2009/2010 job reductions have already been achieved following requests for voluntary redundancy due to the need to deliver £14.3M of savings during 2009/2010. The requirement for further job losses will be assessed as the Savings and Transformation Programme is further progressed.

14. EQUALITY IMPACT ASSESSMENT

14.1 The Council has a statutory duty to consult upon the impact of the way it carries out business on different groups of people. This is designed to help the Council identify the particular needs of different groups and reduce the likelihood of discrimination. Impact Assessments cover:

- Race
- Gender
- Disability
- Sexual Orientation
- Religious Belief

14.2 Any consideration given to the use of reserves and/or balances could have direct or indirect impacts on services and support provided to one or more of the above groups. Indeed, a number of the specific reserves held by the Council support service delivery to a range of these groups directly.

14.3 In the context of a particularly challenging short and medium term financial environment it is prudent to review the level of reserves together with their current allocation and determine how far those reserves and balances can be released for other purposes.

14.4 It is important, however, that re-direction of resources as described in the above paragraph be preceded by an Equality Impact Assessment in order to ensure that the Council's statutory duties are complied with and any negative impact on specific groups is mitigated as far as practicable.

14.5 In determining the budget for 2009/2010 considerable focus was placed on the development of a Savings and Transformation Programme. Key elements of this

programme have been the subject of individual Equality Impact Assessments and/or forms of statutory consultation with service users.

- 14.6 The Council is facing a particularly challenging short and medium term financial environment in which savings must be generated and a tight control on spending maintained. This requires that a greater focus than ever is maintained to ensure that core equality commitments are met. In determining the 2009/2010 budget particular attention was given to the impact of savings proposals in order to attempt to ameliorate any impact on individuals and communities in most need. This will continue as the Savings and Transformation Programme is further progressed during the year.
- 14.7 In addition, it is important that any future changes to the approach to collection of income due to the Council be preceded by an Equality Impact Assessment in order to ensure that the Council's statutory duties are complied with and any negative impact on specific groups is mitigated as far as practicable.

Revenue Budget Monitoring Quarter One - Children and Young People
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Children and Families Employees	Difficulty in recruiting and retaining social care staff has resulted in the need to use agency provision.	22,703	22,834	131
Net Variations below £100,000		17,229	16,911	(318)
		39,932	39,745	(187)
Commissioning and Partnership Development Employees	Managed under spends including vacancy management in order to partially offset budget pressures elsewhere within the directorate.	5,580	5,456	(124)
Net Variations below £100,000		5,978	5,978	0
		11,558	11,434	(124)
Development and Resources Employees	Managed under spends including vacancy management in order to partially offset budget pressures elsewhere within the directorate. Budget provision does not reflect current service need, changes in relation to maternity/paternity leave entitlement, first introduced in September 2007. Approved Budget set at the 2008/2009 Cash Limit of £0.262M was built in at 2008/2009 Revised Estimate, subject to review under Savings and Transformation Programme. Effects of policy change from September and effective route planning will potentially mitigate year end projected overspend position.	8,050	7,743	(307)
Supply Cover		616	1,046	430
Home To School Transport		1,966	2,193	227
Net Variations below £100,000		(381)	(279)	102
		10,251	10,703	452

Revenue Budget Monitoring Quarter One - Children and Young People
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Quality and Improvement				
Employees	This is a managed under-spend to offset the projected shortfall in income for the year. Forecast shortfall in the "buy back" of services by schools £0.264M, Reduction in SIP Board Contributions £0.051M and under-achievement of income targets £0.081M, is partially offset by the forecast under-spend on employees. Work is continuing to mitigate the position.	8,873	8,654	(219)
Income		(2,527)	(2,131)	396
Variations below £100,000		5,736	5,736	0
		12,082	12,259	177
Schools For The Future				
Employees		2,701	2,620	(81)
Net Variations below £100,000		1,593	1,775	182
		4,294	4,395	101
Savings and Transformation Programme	As at the end of July 2009 £1.526M (64%) of the target savings for the year had been delivered. It is envisaged that the target for the year will be met in full by 31 March 2010.	(2,261)	(2,261)	0
Single Status	This projection assumes the Wolverhampton scheme will be implemented in the year at budgeted levels.	1,030	1,030	0
Centrally Held Directorate Budgets		(2,822)	(2,822)	0
Total Children and Young People		74,064	74,483	419

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
<u>Adults</u> <u>Service Strategy</u> Saving Programme Variations below £100,000 Total Service Strategy	Savings of £0.624M are at risk of not being achieved and this is after including £0.280M of the underspends identified as part of the 2008/2009 final accounts process that can be made permanent. Corrective actions are currently being taken that are seeking to achieve the required level of savings	(2,470) 324 (2,146)	(1,846) 368 (1,478)	624 44 668

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Older People Employees	The service is underspending by £0.054M and a further £0.071M due to the revised assumption concerning the 2009/2010 pay award, from the 2.25% included in the budget to 1.5%.	12,432	12,308	(124)
Care	This projected overspend is after a budget transfer from Older People employee costs to reflect the externalisation of work previously performed by in house staff. Older People overspends are £0.375M on residential and £0.555M on domiciliary and day care. Panels are now in place and there is confidence that these will address the situation, although there are additional one-off winter pressures that are likely to cause budget pressures, for which a bid is being made against the budgeted contingency.	28,969	29,899	930
Income	Receipts from Older People are currently forecast to be below budget however the income figure is volatile and as such the forecast is subject to change throughout the year.	(12,649)	(12,519)	130
Variations below £100,000		16,516	16,516	0
Total Older People		45,268	46,204	936

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
<u>Physical or Sensory Disability</u> Employees	Physical or sensory service provision is forecast to under spend by £0.020M. The budget also includes meals and transport which is forecast to under spend by £0.051M and support services which is forecast to under spend by £0.099M. These projected underspends are offsetting an overall overspend in the service, along with a further £0.020M due to the reduced pay award assumption.	1,415	1,225	(190)
Care	Physical and Sensory services have continued to be subject to growth in the number of new service users. The projected overspends are £0.437M on residential and £0.423M on domiciliary and day care. Panels are now in place and will assist in addressing the situation but are unlikely to be able to bring the budget back into balance .	3,383	4,243	860
Variations below £100,000		974	974	0
Total Physical or Sensory Disability		5,772	6,442	670

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
<u>Learning Disabilities</u>				
Employees	Learning Disabilities employee costs are forecast to underspend across areas of the service where there are vacant posts held to help address the overall over spend. Managers are only recruiting to vacant posts where it enables the service to maintain statutory service requirements. There is a further under spend of £0.056M due to the revised pay award assumption.	7,974	7,769	(205)
Care	Learning Disability services have continued to be subject to growth in the number of new service users and of children in transition to Adults. The projected overspends are £0.441M on residential and £0.678M on domiciliary and day care. Panels are now in place and will assist in addressing the situation but are unlikely to be able to bring the budget back into balance.	12,369	13,489	1,120
Variations below £100,000		(2,981)	(2,981)	0
Total Learning Disabilities		17,362	18,277	915
Mental Health Needs		6,335	6,335	0
Drugs and Alcohol		28	28	0
Grants Non Pool		2,961	2,961	0
Grants Pool		445	445	0
Other Pool		2,534	2,436	(98)

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

<u>Adult Care Services</u>				
Employees	The number of staff required to deliver the Social Care Programme is subject to further evaluation and the application of efficiency measures to reduce the spend on staffing. Any additional savings required to reduce the overspend will be met from the Capital underspends of the Programme, which will reduce the overall revenue contribution to the Programme. There is a forecast under spend of £0.036M due to the revised pay award assumption.	4,586	4,984	398
Variations below £100,000		(4,525)	(4,525)	0
Total Adult Care Services		61	459	398
<u>Commissioning, Contracting Performance and Quality</u>				
Other Third Party Payments	Third Party Payments of £0.565M and preventative expenditure of £0.702M are being underspent to help compensate for the total overspend.	2,821	1,554	(1,267)
Variations below £100,000		(2,621)	(2,646)	(25)
Total CCP&Q		200	(1,092)	(1,292)
HR Finance Training		(1)	(15)	(14)
HRA		(4)	(5)	(1)
Asylum Seekers		(268)	(270)	(2)
Community Services		1,127	1,127	0
Homeless Families		69	69	0

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Supporting People		569	568	(1)
One-Off Resources	There are a number of balance sheet items totalling £1.1M that were carried forward from 2008/2009, this sum largely comprises income received from the PCT during the previous financial year that was set aside for use in such circumstances.	0	(1,100)	(1,100)
Total Adults		80,312	81,391	1,079
<u>Communities</u>				
Tourism and Development		301	309	8
Archives and Local Studies		339	353	14
Grand Theatre		701	701	0
Media Centre		229	229	0
Newhampton Centre		108	108	0
Arts and Museums		2,342	2,349	7
Entertainments		2,738	2,816	78
Libraries		6,724	6,692	(32)
<u>Parks and Allotments</u>				

Revenue Budget Monitoring Quarter One – Adults and Community Services
Budget Variations Exceeding £100,000

Premises	The grounds maintenance programme is currently £0.055M overspent; this is projected to be £0.150M at the year end. Several factors have contributed to this overspend, including budgets having a lower increase than included in contracts, this is a historical issue and the budget has been overspending for many years. Ongoing maintenance costs associated with a number of capital schemes have not been included in the revenue budget, the projected impact is a forecast overspend of £0.091M.	2,862	3,103	241
Variations below £100,000		2,082	2,045	(37)
Total Parks and Allotments		4,944	5,148	204
Sport and Recreation		3,824	3,811	(13)
Community Centres		2,793	2,787	(6)
Bereavement Services		(194)	(199)	(5)
Registrars		205	203	(2)
Coroners		345	379	34
Adult Education Service		722	693	(29)
Communities		26,121	26,379	258
Total Adults and Communities		106,433	107,770	1,337

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
<u>Highways & Transportation</u>				
Transport Planning Policy & Strategy		906	906	0
Highways/Roads - Structural		6,714	6,714	0
<u>Highways/Roads - Routine</u>				
Highways Electricity Charges	An overspend is projected against the cost of electricity for street lighting, this is largely to do with annual increases in cost following the letting of the contract from 1 April 2009.	1,164	1,380	216
Variation under £100,000		6,360	6,360	0
Total Highways/Roads - Routine		7,524	7,740	216
Chief Engineers and Planning Officers Group - Core Support Team		0	0	0
Traffic Management		686	686	0
Road Safety		187	185	(2)
School Crossing Patrols		528	485	(43)
<u>On Street Parking</u>				
Highways - On Street parking income	Delay in Summer Row Development.	(632)	(732)	(100)
Variations below £100,000		130	125	(5)
Total On Street Parking		(502)	(607)	(105)

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
Decriminalised Parking		75	75	0
Off Street Parking		(962)	(993)	(31)
Town Centre Bus Service		18	18	0
Land Drainage		241	241	0
Christmas Illuminations		183	183	0
Shopmobility		131	130	(1)
<u>Management & Support Services</u>				
Employees	Largely due to vacancies.	523	387	(136)
Variations under £100,000		(523)	(523)	0
Total Management & Support Services		0	(136)	(136)
Professional and Technical Services		0	(18)	(18)
Management of Highways Properties		(41)	(41)	0
Total Highways and Transportation		15,688	15,568	(120)

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
<u>Planning and Environment</u>				
Planning - Legal Fees Victoria Halls	HSE Claim for Judicial Review. Impact of national economic climate.	0	200	200
Planning - Planning Fee Income		(990)	(750)	240
Variations under £100,000		2,780	2,760	(41)
Total Planning and Environment		1,852	2,251	399
<u>Economic Development</u>				
<u>Regenerating Wolverhampton</u>				
Employees	Largely due to vacancies.	1,236	1,144	(92)
Variation under £100,000		615	615	0
Total Regenerating Wolverhampton		1,851	1,759	(92)
Involvement with Industry		3,010	3,010	0
Land and Property		1,605	1,616	11
Total Economic Development		6,466	6,385	(81)

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
<u>Neighbourhoods and Community Safety</u>				
Regeneration		0	(15)	(15)
Private Sector Housing		2,951	2,951	0
Housing Advances		0	0	0
<u>Neighbourhood Wardens Scheme</u>				
Employees	Largely due to vacancies.	543	459	(84)
Variations below £100,000		318	318	0
Total Neighbourhood Wardens Scheme		861	777	(84)
Anti-Social Behaviour Unit		0	0	0
Building Resilience Fund		125	125	0
Local and Neighbourhood Arrangements		2,136	2,113	(23)
Grants to Voluntary Bodies		5,113	5,144	31
Community Initiative Unit		397	395	(2)
Neighbourhood Crime and Justice Co-ordinator		0	0	0

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
Neighbourhood Safety Co-ordinator		177	177	0
LANA Target Hardening		150	150	0
Neighbourhood Safety Project		140	139	(1)
Total Neighbourhoods and Community Safety		11,700	11,606	(94)
<u>Environment</u>				
Management and Support Services		0	(3)	(3)
Food and Environmental Safety		1,716	1,708	(8)
Public Protection		1,833	1,827	(6)
Licensing and Service Support		83	57	(26)
Trading Standards		1,220	1,215	(5)
Total Environmental Services		4,852	4,804	(48)

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
<u>Waste and Street Scene Services</u>				
Waste Collection and Recycling Service		7,747	7,726	(21)
<u>Waste Disposal</u>				
Fees and Charges	Sale of spare incinerator capacity.	(990)	(1,200)	(210)
Variations under £100,000		7,716	7,696	(20)
Total Waste Disposal		6,726	6,496	(230)
Street Scene		2,554	2,554	0
Total Waste and Street Scene Services		17,027	16,776	(251)
Markets				
<u>Wolverhampton Indoor and Open Market</u>				
Rent and Service Charges	Wolverhampton Retail Market vacant stalls.	(2,407)	(2,237)	170
Variations below £100,000		2,701	2,677	(24)
Total Wolverhampton Indoor and Open Market		294	440	146
Wednesfield Street Market		21	21	0
Bilston Indoor Market, Open Market and Licensed Operations		(173)	(173)	0

Revenue Budget Monitoring Quarter One – Regeneration and Environment
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget	2009/10 Projected Outturn	Budget Variation
		£000	£000	£000
Heantun House		(89)	(89)	0
Street Trading		0	0	0
Wholesale Market		(31)	(31)	0
Total Markets		22	168	146
<u>Internal Trading Accounts</u>				
Contribution to General Fund	No provision for contribution included in 2009/10 original council revenue budget.	0	(300)	(300)
		0	(300)	(300)
Total Regeneration and Environment		57,957	57,608	(349)

Revenue Budget Monitoring Quarter One – Customer and Shared Services and the Office of the Chief Executive
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Customer & Shared Service Directorate				
Financial Services				
Employees	Due to a number of vacant posts, these will be given up as part of the 20010/2011 Savings and Transformation Programme.	10,450	10,388	(62)
Supplies and Services	Identified underspends from 2008/2009.	1,848	1,747	(101)
Variations below £100,000		(7,113)	(7,127)	(14)
		5,185	5,008	(177)
The Document Centre			(3)	(3)
Corporate Procurement				
Income	Underachievement on retrospective discounts income due to the tight control on spending across the Council and changes in contracts.	(913)	(782)	132
Variations below £100,000		913	873	(40)
		0	92	92
Legal Services				
Income	Underachievement on land charge income due to the change in legislation and the current economic downturn.	(2,524)	(2,431)	93
Variations below £100,000		2,936	2,926	(10)
		412	495	82
Human Resources		(436)	(507)	(71)
Property Services		1,009	929	(80)
ICTS		(269)	(297)	(28)

Revenue Budget Monitoring Quarter One – Customer and Shared Services and the Office of the Chief Executive
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Commissioning and Service Development		1,664	1,572	(92)
Other Accounts		6,799	6,791	(8)
Total Customer & Shared Services		14,366	14,084	(281)
<u>Office of the Chief Executive</u>		(652)	(682)	(30)
Democratic Services	Identified underspends from 2008/09.	(564)	(676)	(112)
Mayoral		411	404	(7)
Emergency Planning		226	211	(15)
Members		5,730	5,706	(24)
Communications		930	890	(40)
Corporate Performance		(345)	(380)	(35)
Total Office of the Chief Executive		5,735	5,473	(262)
Total Customer & Shared Services and Office of the Chief Executive		20,101	19,558	(543)

Revenue Budget Monitoring Quarter One – Corporate Budgets
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
West Midlands Passenger Transport Authority Levy		12,606	12,600	(6)
Environment Agency Levy		79	75	(4)
Provisions for Bad Debt		200	200	0
Central Provision for Redundancy		3,000	3,000	0
Interest Payable	The projected net saving of £0.025M across Interest Payable and Receivable has been achieved by adopting a strategy of using the Council's own cash balances rather than borrowing to fund capital expenditure. This is a short term strategy adopted whilst returns on investments remain very low. However, the situation remains under constant review to ensure that the strategy remains fit for purpose, as and when indications are that returns on investments will start to increase it will be necessary to be ready to borrow to ensure the best rates on that borrowing are secured before they begin to rise, the increase in the cost of borrowing will be inevitable due to what will be an increase in demand in the market for borrowing.	14,078	13,391	(687)
Interest Receivable		(1,805)	(1,143)	662
Provision for the Repayment of Debt		13,604	13,604	0

Revenue Budget Monitoring Quarter One – Corporate Budgets
Budget Variations Exceeding £100,000

Service/Budget	Reason for Variation/Comments	Budget £000	2009/10 Projected Outturn £000	Budget Variation £000
Savings and Transformation Programme	Relates to Cross Cutting savings proposals, including Delaying of Management and Admin.	(3,962)	(3,962)	0
Local Authority Business Growth Incentive Grant		(515)	(515)	0
Reversal of Below the Line Accounting Entries		(35,620)	(35,620)	0
Total Corporate Budgets		1,665	1,630	(35)

GENERAL FUND REVENUE BUDGET MONITORING; SAVINGS PROGRAMME**Savings Targets**

Saving Area	Category of Saving			Total £000
	Mainstream/ Service Specific £000	Cross Cutting Efficiencies £000	Delaying of Management & Admin £000	
Children & Young People	1,166	356	871	2,393
Adults & Community	3,497	149	586	4,232
Regeneration & Environment	1,585	84	833	2,502
Customer & Shared Services	135	334	939	1,408
Office of the Chief Executive	-	-	178	178
Cross Cutting Efficiencies	-	2,388	100	2,488
Delaying of Management & Admin	-	-	1,099	1,099
Total	6,383	3,311	4,606	14,300

Analysis of Nature of Saving				Total £000
Front Line Cut £000	Front Line Efficiency £000	Back Office £000	Increased Income £000	
122	1,123	902	246	2,393
385	2,287	749	811	4,232
208	802	966	526	2,502
30	105	1,273	-	1,408
-	-	178	-	178
-	796	1,692	-	2,488
-	-	1,099	-	1,099
745	5,113	6,859	1,583	14,300
5%	36%	48%	11%	100%

Estimated Savings with a High Level of Confidence as at the End of July 2009

Saving Area	Category of Saving			Total £000
	Mainstream/ Service Specific £000	Cross Cutting Efficiencies £000	Delaying of Management & Admin £000	
Children & Young People	996	356	871	2,223
Adults & Community	3,114	191	244	3,549
Regeneration & Environment	1,385	84	1,033	2,502
Customer & Shared Services	135	334	918	1,387
Office of the Chief Executive	-	-	178	178
Cross Cutting Efficiencies	-	2,043	100	2,143
Delaying of Management & Admin	-	-	-	-
Total	5,630	3,008	3,344	11,982

Category of Saving				Total £000
Front Line Cut £000	Front Line Efficiency £000	Back Office £000	Increased Income £000	
122	1,123	732	246	2,223
336	1,803	657	753	3,549
208	792	1,184	318	2,502
30	105	1,252	-	1,387
-	-	178	-	178
-	321	1,822	-	2,143
-	-	-	-	-
696	4,144	5,825	1,317	11,982
6%	35%	49%	11%	100%

GENERAL FUND REVENUE BUDGET MONITORING; SAVINGS PROGRAMME

Actual Savings “Banked” as at the End of July 2009

Saving Area	Category of Saving			Total £000
	Mainstream/ Service Specific £000	Cross Cutting Efficiencies £000	Delaying of Management & Admin £000	
Children & Young People	764	224	538	1,526
Adults & Community	2,281	183	176	2,640
Regeneration & Environment	1,089	84	1,033	2,206
Customer & Shared Services	30	334	418	782
Office of the Chief Executive	-	-	178	178
Cross Cutting Efficiencies	-	584	100	684
Delaying of Management & Admin	-	-	-	-
Total	4,164	1,409	2,443	8,016

Category of Saving				Total £000
Front Line Cut £000	Front Line Efficiency £000	Back Office £000	Increased Income £000	
113	569	654	190	1,526
267	1,174	540	659	2,640
208	792	1,184	22	2,206
30	-	752	-	782
-	-	178	-	178
-	-	684	-	684
-	-	-	-	-
618	2,535	3,992	871	8,016
8%	32%	50%	11%	100%

GENERAL FUND REVENUE BUDGET MONITORING; CORPORATE INCOME**Business Rates Write Offs Exceeding £5,000**

Account	Reason for Write Off	Sum to Write off £
50536384	Insolvency – Arrears	5,117.00
50557707	Insolvency – Arrears	6,040.85
50493605	Insolvency – Arrears	14,136.78
50501724	Insolvency – Arrears	8,646.71
50509944	Insolvency – Arrears	6,161.20
50513621	Insolvency – Arrears	5,462.22
50515962	Insolvency – Arrears	12,306.57
50519109	Insolvency – Arrears	9,003.25
50519121	Insolvency – Arrears	5,215.30
50526753	Insolvency – Arrears	6,555.14
50530230	Insolvency - Arrears	11,332.04
50537449	Insolvency - Arrears	7,930.90
50537550	Insolvency - Arrears	5,253.15
50538590	Insolvency - Arrears	5,578.00
50544107	Insolvency - Arrears	7,199.58
50544573	Insolvency - Arrears	49,294.32
50555714	Insolvency - Arrears	5,182.69
50541149	Insolvency - Current Year	9,775.81
50547956	Insolvency - Current Year	7,963.98
50515985	Ceased Trading - No Assets - arrears	15,129.92
50516306	Ceased Trading - No Assets - arrears	5,056.87
50531576	Ceased Trading - No Assets - arrears	15,053.95
50541563	Ceased Trading - No Assets - arrears	6,364.69
		229,760.92

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>A. Financial and Budget Management</p> <p>1. Budget Management – Failure to realise efficiency improvements built into the service directorates’ 2009/2010 base budgets and/or monitor effectively the General Fund Revenue Budget leading to an overspending situation.</p>	<p>Monthly monitoring of the revenue budget looking at expenditure to date, commitments and forecasting the year end. At quarterly intervals a comprehensive budget management report linking progress relative to the budget and to changes in service demand along with the degree to which savings built into the Savings and Transformation Programme are arising and impacting upon the then current spend.</p> <p>Should evidence begin to emerge of a potential budget overspend consideration will be given to the introduction of short-term cost containment measures. Cost containment measures could include the freezing of discretionary non recurring budgets and recruitment freezes.</p>	<p>The residual exposure (R.E.) is the risk may arise (M).</p> <p>Notwithstanding robust budget management there are elements of expenditure which are difficult to control e.g. demand led budgets and for which it may prove difficult to identify a compensating saving. A 0.5% adverse variance upon gross expenditure amounts to approximately £3.5M and a similar variance upon income (excluding interest earned) amounts to £0.5M.</p>	<p>No changes the residual exposure is still considered to be Medium.</p> <p>As at the end of July 2009 £8.0M of savings have already been banked and there is already a high degree of confidence in achieving £12.0M despite only being 4 months through 2009/2010.</p> <p>In addition the firm budgetary control demonstrated by the 2008/2009 underspend provides additional assurance that the £14.3M savings target for 2009/2010 can be achieved.</p> <p>Also the 2009/2010 Quarter One Revenue Budget Monitoring Information only highlights one area of risk within the Savings and Transformation Programme (Adults £0.624M) and corrective action is being undertaken with the aim of delivering the savings in a different way. Work is also continuing to ensure that the balance of £1.694M is delivered during the year, the majority of this sum has been allocated to the Delaying of Management and Admin workstream.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. <u>Non Pay Inflation</u> – The following inflationary increases have been included.</p> <ul style="list-style-type: none"> • Utilities 0% • Grants to voluntary bodies, office expenses, travel and subsistence, VAT provisions, Out of City Care – 3% - 6% • Other 1 % <p>The risk is that services are not able to absorb inflationary impacts over and above these allowances. Projections concerning inflation over the coming months vary: the recently published CPI for January was 3.0%.</p>	<p>Tracking of inflationary pressures with a view to anticipating where overspending pressures may arise in time for any corrective action to be put in place.</p> <p>Monthly monitoring of the revenue budget looking at expenditure to date, commitments and forecasting the year end. At quarterly intervals a comprehensive budget management report linking progress relative to the budget and to changes in service demand along with the degree to which savings built into the Savings and Transformation Programme are arising and impacting upon the then current spend.</p> <p>The introduction of short-term cost containment measures should evidence begin to emerge of a potential budget overspend. Cost containment measures could include the freezing of discretionary non recurring budgets and recruitment freezes.</p>	<p>RE = M</p> <p>The impact of this risk is captured within the residual exposure for budget management as part of the overall risk.</p> <p>The utilities provision of 0% is considered robust as the Authority has recently locked into an annual contract reflecting that provision.</p> <p>Inflationary pressures for the other budgets at 1% point above the allowances built into the budget would generate an overspending pressure of £1M.</p>	<p>Residual exposure reduced to Low.</p> <p>The level of underspend during 2008/2009 indicates that any impact that might materialise from the reduced inflation allowances, should be containable within directorate budgets during the year.</p> <p>Also the 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify any particular or significant pressure on directorate budgets as a result of these reduced inflation allowances.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>3. <u>Pay Awards</u> Pay Awards at 2.25 % in 2009/2010 have been built into the budget. A 0.5% variation around this figure gives rise to a budget variation in 2009/2010 of £0.580M.</p>	<p>Pay awards are set nationally and so there is no direct action the authority can take to determine the actual awards, although as with any local authority it can seek to influence the negotiating body. Should the pay award exceed budget provisions the mitigating actions applicable to budget management generally would come in to play and there specific actions would be considered including managing vacancies, recruitment and treating the pay budget as a cash limited sum.</p>	<p>RE- the downside risk is considered to be unlikely to arise (L) as the current climate will serve to dampen down pay award pressures.</p>	<p>No changes the residual exposure is still considered to be Low. Based on the latest offer that has been made by the Local Government Employers (1.0% to 1.25%) the pay award for 2009/2010 will almost certainly be below the 2.25% included in the budget. This will therefore help the authority to ensure that expenditure does not exceed budget for 2009/2010.</p>
<p>4. <u>Vacancy Factor</u> Staffing budgets take into account a significant saving flowing from staff turnover and vacancies. The risk exposure is that the level of staff turnover may be below this provision bearing in mind the impact of the voluntary redundancy programme and the general economic climate.</p>	<p>Should the vacancy factor not be realised the mitigating actions applicable to budget management generally would come in to play and there specific actions would be considered including managing vacancies, recruitment and treating the pay budget as a cash limited sum.</p>	<p>RE = M The vacancy factor reflects previous experience within the authority but in the current situation there is some risk that history may not be repeated.</p>	<p>Residual exposure reduced to Low. No significant issues associated with vacancy factors identified as part of the 2008/2009 outturn. Also the 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify any particular or significant pressure on directorate budgets as a result of vacancy factors.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>5. <u>VAT</u> The authority is pursuing a VAT reclaim in respect of charges for leisure and cultural services and £0.250M has been built into the budget on the assumption that that claim is successful. The risk is that the claim may not be successful in whole or in part.</p>	<p>The claim submitted by the authority is considered to be robust and has been independently assured by VAT specialist advisors from PWC. Other local authorities have been successful with such claims but it may be contested by Customs and Excise in whole and part.</p>	<p>RE = L A settlement at 80% of the claim, results in a shortfall of £0.050M. Latest indications are that the claim will exceed the £0.250M assumed in the budget.</p>	<p>No change the residual exposure is still considered to be low. The final claim submitted was for over £0.7M, the level of certainty associated with this claim is such that the sum has been included in the 2008/2009 outturn figures.</p>
<p>6. <u>VAT</u> The VAT regulations as applied to local authorities allow them to re-claim VAT upon partially exempt supplies providing such supplies are kept below a prescribed level (less than 5% of total in-put tax). Latest calculations generate a figure of 2.64%. Given the changes in the structure of the authority's service delivery/budget e.g. the creation of Trusts it is possible that there will be a variance to this percentage. Breach of the 5% threshold could generate a potential liability of £1M.</p>	<p>The level of exempt input tax is regularly monitored and the impact upon the share of total input tax consequent upon a change in service delivery arrangements is considered as part of the appraisal of proceeding with an alternative service delivery arrangement.</p>	<p>RE=L The mitigating actions and the relatively current low level of input tax relating to exempt supplies combine to create a situation where breach of the threshold is unlikely in 2009/2010.</p>	<p>No change the residual exposure is still considered to be low.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>7. <u>Changes in Accounting Practice</u> The 2009/2010 General Fund budget reflects a change in accounting practice in respect of some areas of expenditure now being capitalised which previously had been charged to revenue budget. The change relates to £0.5M of expenditure in respect of work to enhance the asset life of buildings and the risk is that the external auditor may not agree with the change in practice. In addition, £1.3 million of advance design costs to Outline Business Case associated with the BSF programme have been capitalised and if this is not acceptable to the external auditor the whole sum would have to be charged to the revenue budget.</p>	<p>The changes have only been effected after an in depth review of standard accounting practice. The external auditor has been consulted on the proposals and, whilst they have reserved their position until the relevant final accounts are submitted for audit, they have not given any indication that they would object to the proposals.</p>	<p>RE = L The mitigating actions have created a situation where it is highly unlikely that there will be any objections to the changes.</p>	<p>No change the residual exposure is still considered to be low.</p>
<p>8. <u>Council Tax Capping</u> The Secretary of State has indicated that Council Tax increases substantially below 5% are expected.</p>	<p>At the level of increase for 2009/2010, as proposed in this report, this risk is considered to be minimal.</p>	<p>RE = L The Government have announced the authorities that are to be capped, Wolverhampton is not one of those Councils.</p>	<p>No longer a risk as Wolverhampton was not one of the authorities that the Government decided would be capped.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>9. <u>General Fund Reserves</u> There is a requirement for a local authority to operate with a level of reserves which is deemed to be adequate relative to the financial risks to which it is exposed and it requires for working capital purposes. The budget assumes an opening reserve of £21M in 2009/2010 reducing to £16M by 31st March 2010. Any in-year forecasts of an upward variation to the draw upon reserves arising from reasons other than those identified in this risk analysis would give rise to a need to find compensating savings. There is a high probability that the Council will need to make plans to replenish the reserves in 2010/11.</p>	<p>The estimated closing balance upon the reserve should be sufficient to accommodate the risks covered in this budget risk management appendix. Strong budget management should serve to mitigate the risk of any budget overruns and senior management attention will have to be directed to the Savings and Transformation Programme to ensure its delivery. Governance arrangements have been put in place in that regard, complemented by programme management and monitoring and personal accountabilities at director level.</p>	<p>RE = H</p> <p>While the mitigating actions as detailed in this report should be sufficient, there is a residual risk that, if all 'worst case' outcomes prevail, the majority of available reserves may have to be called upon.</p>	<p>Residual exposure reduced to Medium due to an extra £7.682M now being held in the General Fund Balance, which now stands at £29.312M.</p> <p>Despite this being a significant sum, the Council is still faced with significant financial risks and a challenging financial outlook. It is therefore important to note that this level of General Fund Balances is not an indication that these risks and the challenge is in anyway reduced. This level of balances will however place the Council in a stronger position to be able to react to ongoing risks and the financial challenges.</p> <p>It is also worth noting that despite the 2009/2010 Quarter One Revenue Budget Monitoring Information projecting a small overspend corrective action is being undertaken with the aim of ensuring that expenditure does not exceed budget by the end of the year. In fact options to deliver one-off savings during 2009/2010 are also being considered with the aim of not only to ensuring that that expenditure does not exceed budget but to actually reduce the planned use of £5.311M of the General Fund Balance agreed as part of the 2009/2010 Budget Strategy.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>10. <u>Equal Pay/Single Status</u> The budget provides £6.3M for the ongoing impact of single status job evaluation in 2009/2010. Negotiations are on-going regarding a revised pay scheme and only when that is finalised will the adequacy of this budget become clear. In addition it may be necessary to seek a capitalisation direction for equal pay back pay that may become due in 2009/2010.</p>	<p>Negotiations regarding the single status settlement are taking place within the context of a known budget (financial cap). The budget estimate is in excess of forecasts associated with schemes currently being discussed.</p> <p>Capital directions were granted in 2007/2008 and 2008/2009 so a precedent has been set in terms of the eligibility of these costs for capitalisation which mitigates the risk of a refusal of such a direction.</p>	<p>RE = L</p> <p>The situation is substantially under the control of the City Council and a prudent approach has been taken to budget provision.</p>	<p>No change the residual exposure is still considered to be low.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p><u>B. Savings and Transformation Programme</u> 1. <u>Savings Programme</u> Built into the budget is £14.3M in respect of the gross savings estimated to materialise in 2009/2010, consequent upon the Savings Programme. The programme is very ambitious and there are material risks associated with the development, implementation and ultimate delivery of the various proposals. Of the £14.3M, approximately £9M relates to proposals which are particularly complex to evaluate, implement and deliver.</p>	<p>Delivery of the Savings Programme is seen as a critical priority within the authority and Directors have been given direct personal accountability for delivery of savings within various work streams. Project management techniques are being brought to bear and dedicated resource deployed upon programme implementation and delivery. Specialist support will also be brought in and experience of other local authorities and guidance of the Regional Improvement & Efficiency Partnership accessed. There are some easy wins within the programme whilst those savings initiatives which are judged to be particularly complex to achieve are being given special attention.</p> <p>If it emerges that savings initiatives may not be realised as initially planned, replacement projects will be introduced into the programme.</p>	<p>RE = H</p> <p>The programme is ambitious especially when viewed relative to the City Council's programme management capacity. There is a risk of overload and the complex initiatives are highly vulnerable to delay. Experience would suggest that delivery of a programme of this magnitude, to this timescale will be challenging.</p> <p>A shortfall of 30% upon delivery of the programme generates a budget gap of £4.3M.</p>	<p>Residual exposure reduced to Medium.</p> <p>As at end the end of July 2009 £8.0M of savings have already been banked and there is already a high degree of confidence in achieving £12.0M despite only being 4 months through 2009/2010.</p> <p>In addition the firm budgetary control demonstrated by the 2008/2009 underspend provides additional assurance that the £14.3M savings target for 2009/2010 can be achieved.</p> <p>Also the 2009/2010 Quarter One Revenue Budget Monitoring Information only highlights one area of risk within the Savings and Transformation Programme (Adults £0.624M) and corrective action is being undertaken with the aim of delivering the savings in a different way. Also Work is continuing to ensure that the balance of £1.694M is delivered during the year, the majority of this sum has been allocated to the Delaying of Management and Admin workstream.</p> <p>The following point of clarification is provided in response to matters that were raised during debate on the Budget Report '...of the £14.3M, approximately £9M relates to proposals which are particularly complex to evaluate, implement and deliver...'. This is not intended to cast doubt on the viability of the proposed savings initiatives; it simply highlights the fact that they will have to be subject to careful project management and monitoring in order to ensure that the savings associated with them are achieved.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. Savings Programme – Implementation costs To implement the Savings Programme requires considerable work in evaluating the proposals, disengaging from the existing position and putting in place, as appropriate, any new position. The budget provides £0.5M, for implementation costs to which can be added any monies forthcoming from the Regional Improvement and Efficiency Partnership (RIEP) (possibly £0.175M).</p> <p>Also there is £3M for redundancy payments plus any unutilised balance of the £4M 2008/2009 budget provision. The risk is that there may be insufficient funds available to set in train the implementation of proposals and that the disengagement costs exceed budget provision. Both of these risks, if they were to arise, would frustrate the delivery of the Savings Programme and are over and above the preceding risk of delayed delivery of the programme.</p>	<p>Positive governance and management arrangements have been put in place designed to ensure the efficient and effective progressing of the Savings Programme. In addition there will be ongoing liaison with RIEP and as appropriate short term staffing arrangements to introduce specialist skills and/or handle peaks in workload.</p> <p>The implementation cost budget will be viewed as a cash limit and, as it provides for a high measure of discretionary spend, it will be relatively easy to operate within that limit. No outlays will be incurred without the express approval of Members. Additional funds will be sought from external sources (such as RIEP) and expenditure above the budgeted cash limit will only be incurred if additional funding is secured.</p>	<p>RE = H</p> <p>The financial exposure i.e. risk of budget overruns is highly unlikely but it has to be recognised that the real constraint for effecting the Savings Programme may be the availability and volume of the staff resource whether that be drawn from City Council staff or external sources. This exposure serves to reinforce the high residual exposure risk in respect of the preceding item.</p> <p>At £0.5M plus RIEP monies the budget is considered to be at a minimum level. A further 7% slippage in the programme generates a further budget gap of £1M.</p>	<p>Residual exposure reduced to Medium.</p> <p>As a result of the 2008/2009 outturn the Council now has more one-off resources available than was anticipated, these could be utilised (where there is a robust business case) to provide funding for any necessary upfront costs.</p> <p>This includes an additional £7.682M of General Fund Balances and £2.4M in a newly established Efficiency Reserve as a result of the underspend against the Corporate Redundancy budget.</p> <p>It is also worth noting that the 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify any particular or significant pressure on directorate budgets as a result of implementation costs associated with the Savings and Transformation Programme.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>3. <u>Transformation</u> The position with regard to the Axon Partnership remains unresolved. All work upon that programme has ceased and negotiations are in progress with Axon to agree a settlement figure reflective of the value to the Council of the work undertaken.</p> <p>At this stage there is no specific budget provision for the settlement which will have to be funded from general fund reserves. To date a £1.5M payment has been made to Axon for services provided to the Council plus an £0.080M payment for IT servers which were required for the project and which now are in the ownership of, and being used by, the City Council.</p>	<p>The Chief Executive has brought together a team of senior officers to agree, drawing upon commercial legal advice, a strategy and tactics associated with agreeing a settlement with Axon. The Monitoring Officer is keeping a full record of all negotiations and advice which will provide a robust audit trail. Financial parameters for a settlement have been considered by the officer grouping and the authority's independent commercial legal advisors will be asked to advise upon the reasonableness of any finalised settlement</p>	<p>RE = H</p> <p>There is a significant gap between the payment made to date and Axon's potential claim and it is highly unlikely that Axon will close the negotiations unless they receive an offer/award of a sum substantially in excess of the payment.</p>	<p>No change the residual exposure is still considered to be High.</p> <p>The following point of clarification is provided in response to matters that were raised during debate on the Budget Report. The formal decision whether to go ahead or not with the proposed Partnership with Axon Solutions Limited has not yet been made. This risk assessment sets out scenarios based on the financial implications of not going ahead with the proposed partnership. This is not however intended to prejudge the outcome of the formal decision-making process</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>4. <u>Transformation Programme</u> With Cabinet's conclusion that the Axon Partnership programme should cease it is likely that there will be a requirement to put in place a new work programme which will transform the Council into a more efficient and effective operation, capitalising upon modern technology. There is no budget provision for work associated with effecting this transformation. The risk is that it may prove difficult to adequately resource the delivery of the programme from existing resources but, on the other hand, over and above the Savings Programme no specific transformation/savings benefits have been built into the 2009/2010 budget</p>	<p>The transformation programme has now been integrated with the Savings Programme, so the mitigating actions associated with the latter apply also to this area.</p>	<p>RE = H</p> <p>The comments applicable to the Savings Programme apply but in addition it must be borne in mind that a major emphasis of the Savings Programme is cash saving, whereas transformation is also concerned with service improvement.</p>	<p>No change the residual exposure is still considered to be High.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>C. <u>Income Levels</u></p> <p>1. <u>Grant and Contribution Income</u> Over and above Formula Grant the Council is dependent upon a significant sum from targeted/ring fenced grants and contributions from other public bodies. These grants and contributions combine firm commitments of grant offers and estimates of potential grants/contributions. The risk is, that in the current economic climate and the specific financial pressures upon those bodies making the grant and/or contributions, that funds will be limited resulting in a short-fall of such income to the Council.</p>	<p>Because of ongoing working relationships and the funding arrangements under which organisations making grants/contributions to the authority operate a significant element of these grants and contributions are judged to be secure. The at risk element relates to funding streams that emerge during the year and which themselves are dependent upon the City Council and the funder agreeing upon a work programme and statement of outputs/outcomes. It is the practice to work closely with such funders and to develop proposals jointly with them, such that there is an alignment of the funders and the City Council's objectives ,</p>	<p>RE = M</p> <p>Notwithstanding the mitigating actions the grant aiding bodies are themselves subject to financial pressures and forces beyond their control. To the extent that they constrain the organisations there is always a risk of a knock-on-effect to the City Council.</p>	<p>Residual exposure reduced to Low.</p> <p>The 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify any particular or significant pressure on directorate budgets as a result of reductions in budgeted grant and contribution income.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. <u>Planning and Building Regulation Fees</u> The economic down-turn has had an impact upon the number of planning applications and the work of the building control division.</p> <p>The 2008/2009 budget provided £0.990M for planning fee income at charge rates which were applicable as at January 2008. Charges were increased by 30% with effect from 1 April 2008 and the revised estimate maintains the income at £0.990M effectively reflecting a 30% decline in demand. The 2009/2010 budget assumes the same level of demand and charges as applied in 2008/2009. The risk is that there will be a decline in this level of income.</p> <p>Building regulation fees were budgeted in 2008/2009 at £0.564M, but the revised estimate reduces this figure to £0.430M i.e. a 24% reduction. This level of reduction is assumed to continue in 2009/2010 although the risk is of an even greater fall income. There is a reserve which can be utilised should there be an overall deficit upon the service.</p>	<p>The City Council is impacted by the economic downturn generally and the particular market and development situation that prevails within Wolverhampton. Whilst it's economic regeneration and planning policies are designed to stimulate development/building activity it is difficult to make any material impact upon the over-arching economic situation.</p>	<p>RE = H</p> <p>The body of opinion amongst economic commentators is that it will be some time before a recovery commences and even longer before there is any material impact. It is by no means clear that the economic situation has reached its low point and it therefore has to be recognised that there may be even further contraction in these income streams. A further 10% reduction in planning fee income amounts to £0.099M.</p>	<p>Residual exposure reduced to Low.</p> <p>The 2008/2009 outturn was below budget. However, despite the 2009/2010 Quarter One Revenue Budget Monitoring Information projecting a shortfall of £0.240M against these income budgets, overall Regeneration and Environment are projected to be underspent against budget by year end.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>3. <u>Land Charges</u> Land charges income is forecast to reduce by £0.158M in 2009/2010 compared with the original 2008/2009 budget consequent upon the decline in the housing market. The risk is an even greater decline in the level of income. Also changes in legislation preclude an authority from making a surplus.</p>	<p>The Council's income is directly related to activity in the housing market over which it has little direct influence.</p> <p>Various costs associated with running the service are not currently charged to this budget heading but by so doing the risk of moving into surplus will be mitigated.</p>	<p>RE = H</p> <p>The budget assumes a similar level of activity to that which prevails in 2008/2009. This may prove to be optimistic.</p>	<p>Residual exposure reduced to Low.</p> <p>The 2008/2009 outturn was below budget. However, despite the 2009/2010 Quarter One Revenue Budget Monitoring Information projecting a shortfall of £0.092M against this income budget, overall Customer and Shared Services are projected to be underspent against budget by year end.</p>
<p>4. <u>Car Parking Income</u> Car parking fees are a major source of income to the Council - £1.6M (excluding internal recharges) budget provision in 2008/2009.</p> <p>This level of income has been maintained in the 2008/2009 revised estimate and increased by 3% for 2009/2010 to £1.65M. This reflects a price increase and the assumption is that there will be no reduction in demand.</p> <p>The risk is that there may be resistance to the price increase compounded by a general decline in demand consequent upon the economic downturn.</p>	<p>Fundamentally the level of demand for car parking is a function of the economic and social activity in the City over which the authority has little direct influence.</p> <p>If price resistance arises there is the option to reduce prices in the hope that it will stimulate demand but that growth in demand would need to be greater than the price reduction to avoid a reduction in aggregate income.</p>	<p>RE = H</p> <p>Price resistance and the economic downturn could combine to put downward pressure on this income level. A 5% reduction is equivalent to approximately £0.080M</p>	<p>Residual exposure reduced to Low.</p> <p>The 2008/2009 outturn was above budget and the 2009/2010 Quarter One Revenue Budget Monitoring Information is also projecting income in excess of budget of £0.131M.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>5. <u>Other Fees and charges</u> Over and above the above fees and charges, the Council generates significant income through its leisure centres, community services, civic halls, libraries, archives etc. for which there is budget provision of £8.1M in 2009/2010: compared with 2008/2009 this represents an increase of £0.3M and the risk is, given the current economic climate, that this increase will not materialise.</p>	<p>The level of income is a function of social activity in the City, underpinned by the state of the economy. Whilst the authority can work to improve its service the over-arching economic situation is beyond its controls.</p>	<p>RE = H Changes in social activity consequent upon the economic downturn could put downward pressure upon this income level. A 5% reduction is equivalent to approximately £0.400M.</p>	<p>Residual exposure reduced to Low. Despite the 2009/2010 Quarter One Revenue Budget Monitoring Information projecting shortfalls against income across the board, the Council is only projecting a small overspend overall. It is also worth noting that corrective action is being undertaken with the aim of ensuring that expenditure does not exceed budget by the end of the year. In fact options to deliver one-off savings during 2009/2010 are also being considered with the aim of not only ensuring that expenditure does not exceed budget but to actually reduce the planned use of £5.311M of the General Fund Balance agreed as part of the 2009/2010 Budget Strategy.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>6. <u>Treasury Management</u> The level of interest earned is wholly dependent upon the level of surplus funds available for investment and interest rates current at the time of that investment.</p> <p>The budgeting assumptions in these regards are for an average cash balance invested of £123M, at an average interest rate of 1.73%. A 0.5% variation upon the interest rate gives rise to a budget variance of £0.6M.</p>	<p>There is an ongoing active approach to treasury management which draws upon independent professional advice. Expert opinion is continuously accessed but the overriding issue is the impact of the economic situation and market forces over which there is no direct control.</p> <p>The authority's budget and debt management practices aim to optimise the level of cash available for investment.</p>	<p>RE = H</p> <p>The over-arching impact of economic and market forces are creating a highly uncertain situation in which it is impossible to forecast with complete confidence interest rates throughout 2009/2010. The variance could be positive or negative.</p>	<p>Residual exposure reduced to Medium.</p> <p>The 2009/2010 Quarter One Revenue Budget Monitoring Information is projecting a shortfall of £0.662M against this income budget, however, this is offset by the projected saving against interest payable of £0.687M. This has been achieved by adopting a strategy of using the Council's own cash balances rather than borrowing to fund capital expenditure. This is a short term strategy adopted whilst returns on investments remain very low. However, the situation remains under constant review to ensure that the strategy remains fit for purpose, as and when indications are that returns on investments will start to increase it will be necessary to be ready to borrow to ensure the best rates on that borrowing are secured before they begin to rise, the increase in the cost of borrowing will be inevitable due to what will be an increase in demand in the market for borrowing.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>7. <u>Bad Debts</u> The risk is that the level of bad debts will rise in the current economic climate. £0.2M is included in the 2009/2010 budget as a contribution to the bad debts provision and the opening balance upon the General Fund provision is estimated to be £3.9M. Over recent years the level of bad debts actually written off averages £0.200M.</p> <p>The 2008/2009 revised estimates include £1.7M as a contribution to the bad debts provision using a formulaic approach. The external auditor is being consulted on the change in approach in 2009/2010.</p>	<p>The level of debt collection is closely monitored on a continuous basis and any material variance from historic patterns will be quickly identified and remedial action taken.</p>	<p>RE = L</p> <p>Even if there is an increase in the level of bad debts it would have to be a very material proportion to exceed the aggregate provisions for bad debts.</p> <p>Any external audit challenge can be rebutted by relating the level of actual bad debts experienced to the provision and by advising that the formulaic approach is being revised to bring its results more into line with reality.</p>	<p>No change the residual exposure is still considered to be Low.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>D. Service Demands 1. <u>Looked After Children (LAC)</u> The budget assumes 370 LAC in 2009/2010 compared with a budget assumption of 355 in 2008/2009. As well as the change in the number of LAC there are assumptions regarding the delivery of their care programmes. This service area is highly complex and demand driven: variations in the number of LACs and their care programmes can have very material financial impacts. The current social and professional climate appertaining to vulnerable children is such that the demand for services could exceed that for which there is budget provision.</p>	<p>Over recent years very active policies and practices have been pursued with a view to reducing the number of LAC and ensuring those that do come within the care of the Council receive the most cost effective means of support. These practices will continue along with a heightened emphasis upon identifying children at risk and improved assessment processes when considering whether or not to bring a child into care.</p>	<p>RE = H</p> <p>Notwithstanding the positive mitigating actions the LAC budget area reflects the characteristics of a demand led service. Even a small variation in the numbers of LACs can have very material financial consequences particularly where a complex care/support programme is required that might require the use of services/facilities from outside of the city.</p>	<p>Residual exposure reduced to Low.</p> <p>The 2008/2009 outturn was below budget and the 2009/2010 Quarter One Revenue Budget Monitoring Information is projecting that expenditure will equal budget. Although the number of Looked After Children is increasing, there are currently 391, so this position remains under close scrutiny.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. <u>Vulnerable Adults</u> Demographic and social change is dictating that the number of vulnerable adults who come to the Council's attention and who need support is on the increase. In addition, there will be young adults transitioning from children's service. £0.500M has been built into the Adult and Community Services budget to reflect that situation. As a demand led service it is subject to similar risks to Looked After Children and in a worst case scenario costs could increase by up to £3M.</p>	<p>Care programmes for vulnerable adults are designed within the context of the finances available to the service. There is active case management and the vigorous pursuit of cost effectiveness (evidence the measures being effected within the Savings and Transformation Programme). In addition to the extra sum built into the budget, there is a contingency reserve of approaching £0.600M upon which the service could draw and a possible contribution from the PCT.</p>	<p>RE = H</p> <p>It is considered that the mitigating actions should be particularly effective but there remains the risk that service demands will outstrip the aggregate available funds by up to £0.500M.</p>	<p>No change the residual exposure is still considered to be High.</p> <p>The 2008/2009 outturn was below budget, however, the 2009/2010 Quarter One Revenue Budget Monitoring Information is projecting a significant overspend and indications are that demand continues to increase. It is worth noting that despite this the Council is only projecting a small overspend overall for 2009/2010, however, as some of this is possible due to one-off opportunities, including utilising available specific reserves, the 2010/2011 budget is likely to come under severe pressure, this will be picked up as part of the forthcoming budget process.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>3. <u>General</u> Changing social and demographic pressures impact upon the demand for services and these pressures can be compounded in an economic downturn. This can find expression in increased need for services in respect of, for example, homelessness, drug abuse, increased mental health problems, increased crime and anti-social behaviour etc.</p> <p>Other than a specific budget increase in respect of services for vulnerable adults, no budget provision has been made to accommodate these pressures.</p>	<p>Monthly monitoring of the revenue budget looking at expenditure to date, commitments and forecasting the year end. At quarterly intervals a comprehensive budget management report linking progress relative to the budget and to changes in service demand along with the degree to which savings built into the Savings and Transformation Programme are arising and impacting upon the then current spend.</p> <p>Should evidence begin to emerge of a potential budget overspend the introduction of short-term cost containment measures. Cost containment measures could include the freezing of discretionary non recurring budgets and recruitment freezes.</p>	<p>R = M</p> <p>Notwithstanding robust budget management there are elements of expenditure which are difficult to control e.g. demand led budgets and for which it may prove difficult to identify a compensating saving. A 0.5% adverse variance upon gross expenditure upon the Children and Young People (net of Schools Budget), Adults and Communities and Sustainable Communities approximates to £2M.</p>	<p>No change the residual exposure is still considered to be Medium.</p> <p>Although the 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify any particular or significant pressure on directorate budgets as a result of increased demand for services (outside of those already specifically covered), the increasing number of unemployed could still yet have an impact on budgets during the financial year. Demand for services and budgets will continue to be monitored closely in order to identify any potential issues at the earliest opportunity in order to give as much time as possible to deal with the associated budget pressures.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>E. Capital Programme 1. Interest Rate Changes As indicated under the income levels section above the Council is vulnerable to changes in interest rates. Medium and longer term borrowing over recent years has tended to provide a relatively stable average interest rate for the Council's borrowings, but in 2009/2010 there is a re-financing and new borrowing requirement estimated at £76.6M for which an interest rate of 3.8% has been assumed. A 0.5% variance upon this interest rate amounts to £0.4M.</p>	<p>There is an ongoing active approach to treasury management which draws upon independent professional advice. Expert opinion is continuously accessed but the overriding issue is the impact of the economic situation and market forces over which there is no direct control.</p>	<p>RE = H</p> <p>This residual exposure is because of the over-arching impact of economic and market forces which are creating a highly uncertain situation in which it is impossible to forecast, with confidence, interest rates throughout 2009/2010.</p>	<p>No change the residual exposure is still considered to be High.</p> <p>As detailed under the Treasury Management Risk a strategy of using the Council's own cash balances rather than borrowing to fund capital expenditure has been adopted in order to secure savings against the revenue budget to offset the falling return on investments. This is however a short term strategy adopted whilst returns on investments remain very low and it will be necessary to borrow during the year as the Council's cash balances are depleted. However, the situation remains under constant review to ensure that the strategy remains fit for purpose, as and when indications are that returns on investments will start to increase it will be necessary to be ready to borrow to ensure the best rates on that borrowing are secured before they begin to rise, the increase in the cost of borrowing will be inevitable due to what will be an increase in demand in the market for borrowing.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. <u>Capital Receipts</u> The 2009/2010 capital programme assumes the application of capital receipts of £0.5M. To the extent that the capital programme proceeds as planned, but capital receipts are not generated, there will be a requirement to exercise prudential borrowing powers and in broad terms the exercise of such powers per million pound generates an impact upon the revenue budget of £0.100M.</p>	<p>The capital programme is actively managed and when so doing expenditure and income streams are continuously monitored. There is always the option to reprogramme outlays should there be slippage or a shortfall in income streams.</p>	<p>RE = L Given the high level of monitoring applicable to the programme and the 'discretionary' nature of the spend, the probability of a funding gap consequent upon a short fall in capital receipts is deemed unlikely. Also the capital receipts estimate is very prudent.</p>	<p>No change the residual exposure is still considered to be Low. Although the 2009/2010 Quarter One Capital Budget Monitoring Information indicates that there is likely to be a shortfall against the assumed levels of capital receipts the situation will be managed to minimise the impact on the revenue budget, e.g. reprogramming in order to delay expenditure until 2010/2011 and beyond.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>F. Service Suppliers 1. Service Suppliers Generally the Council makes extensive use of third party service suppliers e.g. in adult caring services, information technology support, asset management and maintenance (vehicles, premises etc). In the current economic downturn, it is possible that some of these suppliers could be financially exposed consequent upon, for example, a downturn in their business and/or having difficulty in negotiating financing arrangements.</p> <p>The ultimate downside is that some suppliers may cease to trade with risks for the City Council associated with the continuity of service and possible higher level of costs as temporary emergency measures and new service suppliers are put in place.</p>	<p>Departments using external service suppliers work closely with them and are kept abreast of their service and business situation. At worst this gives the City Council notice of emerging problems.</p> <p>On the other hand the placement of business with service suppliers and the guarantee of cash flow payment and continuity of work serves to underpin the businesses. It also helps them manage any adverse impacts that they may be experiencing upon non City Council areas of their businesses.</p> <p>There remains however the overarching economic and financial situation over which the City Council has no direct influence.</p>	<p>RE = H</p> <p>Notwithstanding the mitigating actions, the economic downturn and difficulties in obtaining finance do create a situation where there is a high probability of service suppliers experiencing severe business difficulties.</p>	<p>Residual exposure reduced to Medium.</p> <p>The 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify significant pressure on directorate budgets as a result of such risks. However, this risk has occurred when the Council's supplier of milk to schools recently went out of business.</p>

2009/2010 GENERAL FUND BUDGET RISK MANAGEMENT

RISK EXPOSURE	MITIGATING ACTIONS	RESIDUAL EXPOSURE	MONITORING OF RISK
<p>2. <u>Voluntary Sector</u> The voluntary sector provides services in conjunction with the Council and can in its own right provide support to individuals such that those individuals do not make a call upon Council services. The ability of the sector to discharge these roles is a function of the number of volunteers and the finances available. The risk is that there could be in 2009/2010 adverse variances in both areas but in practice it is impossible to estimate any impact.</p>	<p>Council officers working closely with the voluntary sector will be kept updated on developments alerting them to any early warnings of potential problems. Should the risk arise, the officers would have to look at means of alternative service provision within the context of the Council's budget.</p>	<p>RE = M</p> <p>Nationally evidence is beginning to emerge of a downturn in charitable giving and if that situation were to be reflected in Wolverhampton, it is probable that the voluntary sector may find itself constrained relative to the level of support it has/would wish to provide.</p>	<p>No change the residual exposure is still considered to be Medium.</p> <p>Although it is worth noting that the 2009/2010 Quarter One Revenue Budget Monitoring Information does not identify significant pressure on directorate budgets as a result of such risks.</p>

REVENUE BUDGET MONITORING – HOUSING REVENUE ACCOUNT

A summary of the 2009/10 projected net outturn for the HRA is provided below.

	2009/10		
	Budget £M	Projected Outturn £M	Budget Variation £M
Income			
Gross Rents - Dwellings	(73.724)	(71.942)	1.782
Gross Rents - Non Dwellings	(1.480)	(1.454)	0.026
Charges to Tenants for Services and Facilities	(3.633)	(3.740)	(0.107)
HRA Subsidy Receivable	-	-	-
Total Income	(78.837)	(77.136)	1.701
Expenditure			
Repairs and Maintenance	25.756	25.706	(0.050)
Supervision and Management	18.932	18.935	0.003
Rents, Rates and Taxes	0.289	0.291	0.002
Negative HRA Subsidy Payable	3.853	3.245	(0.608)
Increase in Provision for Bad Debts	0.455	0.464	0.009
Depreciation of Fixed Assets	14.581	14.581	-
Total Expenditure	63.866	63.222	(0.644)
Net Cost of HRA Services	(14.971)	(13.914)	1.057
Interest Payable	12.935	11.839	(1.096)
Interest and Investment Income	0.015	0.018	0.003
Adjustment for Premiums & Discounts	-	-	-
Provision for Redemption of Debt	0.440	0.440	-
(Surplus) / Deficit for the Year	(1.581)	(1.617)	(0.035)

As per the 2009/2010 budget, the payment of Wolverhampton Homes's management allowance accounts for 81.9% of the net HRA Management and Maintenance budget. Tenant Management Organisations/Estate Management Boards' management fees account for a further 6.7%, meaning almost 89% of the net Management and Maintenance budget is fixed for the year. Each managing agent is responsible for ensuring that their total expenditure does not exceed their total income (which could include accumulated surpluses from previous years, which they retain in full). In terms of all expenditure, and factoring in depreciation which is also fixed, 70% of the expenditure budget is fixed for the year.

This contrasts with income budgets which, whilst reasonably predictable, are subject to change based on movements in the number of lettable (or chargeable) properties, voids and turnover, amongst other factors. Variances against income budgets impact on the Council only.