



AGENDA ITEM: 9

CABINET: 17th September 2013

**EXECUTIVE OVERVIEW AND
SCRUTINY: 3rd October 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holders: Councillors D Westley & A Owens

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SUBJECT: REVENUE BUDGET POSITION

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To set out key features on revenue budget performance for both the General Revenue Account (GRA) and Housing Revenue Account (HRA).

2.0 RECOMMENDATIONS TO CABINET

2.1 That the outturn position for the last financial year be noted and endorsed.

2.2 That the financial performance in the current year to date be considered and noted.

2.3 That call in is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the financial position of the Revenue Accounts be noted.

4.0 BACKGROUND

- 4.1 Monitoring reports on the budget position are produced on a regular basis to ensure that Members are aware of the financial performance of the Council, and so that appropriate action can be taken to deal with any issues.
- 4.2 This report provides details on the financial performance of the GRA and the HRA in the 2012-13 financial year, as well as providing an initial analysis of significant issues in the current financial year.

5.0 GENERAL REVENUE ACCOUNT OUTTURN POSITION

- 5.1 The final outturn position shows an overall favourable variance of £211,000, which is equivalent to 1.5% of the total budget. This continues the track record of delivering outturn performance in line with the budget that has consistently been achieved by the Council in recent years. It also means that another year's successful performance has been achieved, which is a credit to the Council, given the very difficult financial climate that it is operating in. The outturn position for individual services is shown in Appendix 1.
- 5.2 Some of the key features of the outturn position include:
- The active management of staffing levels has meant that the corporate savings target of £280,000 for staff efficiencies was achieved
 - The shared service arrangement for Revenues, Benefits and IT Services with Lancashire County Council and One Connect Ltd delivered the budgeted saving of £0.5m
 - Income performance has generally been good with most services achieving their budget targets. There were a number of areas where income performance was below target including Building Control, Car Parks and Treasury Management. However this was more than offset by strong performance in other areas particularly Planning Application Fees and the Commercial Property Portfolio
- 5.3 During the course of the year, financial monitoring identified a number of favourable budget variances that have allowed a number of new and additional projects to be brought forward. This included £328,000 to fund capital schemes for Sandy Lane in Skelmersdale and Moor Street in Ormskirk. It also includes £225,000 to support the budget for 2013/14 including funding to support phase 1 of the Blue Wheelie Bin scheme.
- 5.4 The Council determined how the remaining favourable budget variances of £211,000 should be used when it agreed the Major Service Review report at its meeting in July. This included providing additional funding for the Blue Wheelie Bin Scheme, extra CCTV cameras, dealing with health and safety issues and IT system upgrades.

5.5 The budget that has been set for 2013/14 contains just under £300,000 of budget streamlining or tightening savings. These proposals are based on budgets that were under spent in 2012/13 and can be removed with minimal service implications. Consequently a significant element of the favourable budget variance for 2012/13 has been taken into account in setting the current year's budget.

6.0 HOUSING REVENUE ACCOUNT OUTTURN POSITION

6.1 The introduction of the new HRA self-financing system in 2012-13 led to a significant increase in activity and a restructuring of budgets, including the need to deliver a capital programme that was almost double its previous size. As a consequence there has been greater variation from budget than in previous years. However while there have been a number of spending pressures these have been offset by savings made in other areas, and consequently the overall budget target has been achieved.

6.2 There has been an overspend on interest costs as a result of interest rates rising between when the draft budgets were drawn up (in November/December 2011) and when the borrowing for self-financing took place at the end of March 2012. The Council was still however able to borrow at very favourable rates, and took out a package of loans at a fixed average interest rate of 3.47% with a duration of between 15 and 50 years.

6.3 There has been an adverse variance in response repairs and void repairs, which has repeated the pattern of previous years. However, spending in these areas is very much demand led which makes it particularly difficult to control expenditure. Consequently budgets for 2013/14 have been adjusted accordingly to match the trend pattern of expenditure. In contrast spending on disabled adaptations, which is equally demand led was significantly below budget for the year.

6.4 The HRA budget target to generate £23.932m of income from rents, fees and charges was slightly exceeded and this represents a good level of performance considering the difficult financial climate.

6.5 The active management of staffing levels ensured that there was a significant favourable budget variance on employee costs. Equally, management of supplies and services and premises costs also delivered a considerable saving against budget.

6.6 The HRA provided a significant contribution to the Housing public sector capital programme, and details on this are provided in the Capital Programme Outturn report elsewhere on this agenda. The slippage on this capital programme, including the HRA funds used to support it, have been rolled forward into 2013-14, and this has meant the level of HRA reserves at the year end has been larger than in previous years.

7.0 CURRENT YEAR BUDGET ISSUES

- 7.1 The GRA and the HRA have both met their budget targets for 2012-13 and this continues the trend of delivering favourable budget variances in recent years. Consequently it can reasonably be expected that this strong financial performance will be carried forward, in many cases, into the new year. However the difficult economic climate will undoubtedly cause pressures, and in particular may make income targets more difficult to achieve in certain areas.
- 7.2 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. An agreement was reached on the pay award for 2013/14 in July, which will see a 1% increase in NJC pay costs and the removal of spinal column point 4 (with staff on this grade uplifted onto spinal column point 5). The cost of a 1% pay increase is around £140,000 for the GRA and around £40,000 for the HRA. However the budget estimates had assumed a 1% increase and consequently this announcement will not impact on our financial performance against budget. There are also only a very small number of staff on spinal column point 4, and consequently the deletion of this point will not have a significant financial impact.
- 7.3 In October 2012 the Council agreed a package of Major Service Review (MSR) proposals to deliver the necessary savings to balance the budget, and these savings items have then been built into the budget for 2013-14. The budget monitoring that has taken place to date has identified that the majority of these savings have been successfully implemented and are currently being delivered.
- 7.4 There have been certain issues / delays in implementing car park charging in Skelmersdale and the Planning OR review (which is the subject of a separate report elsewhere on this agenda). However this type of situation should be expected when delivering a large scale savings programme. The early achievement of other MSR savings including changes to the Environmental Protection Service, the community transfer of the Civic Hall and Ashurst meeting room, and the recharging of the Housing Support Services Manager post, will though ensure that the Council exceeds its budgeted savings from the MSR programme by the year end.
- 7.5 The external income that the Council generates can be one of the most volatile areas of the budget, with income going up and down due to factors outside our direct control. This area is a particular concern at the moment given the state of the economy. However at the current time income levels are generally performing close to budget in most areas.
- 7.6 There are a number of services where income performance is better than budget particularly in relation to Planning application and pre-application fees. Income performance on the Commercial Assets Portfolio is also positive although this is likely to be adversely affected by rent reviews during the course of the year. In contrast income performance is running slightly behind the budget target in a number of other areas including car parks and the market.

7.7 There are a number of risk areas within the budget where there is significant uncertainty at the current time. These are mainly as a result of new changes that are being implemented this year including Council Tax and Housing Benefit reform, Business Rate retention, Individual Electoral Registration and Pensions Auto Enrolment. These areas are being closely monitored and any significant issues will be reported in the mid year review report to Cabinet in November.

7.8 Putting all of these factors together, at the current time it is expected that the bottom line position for the GRA and the HRA will be within their overall budget targets, although with some favourable and some adverse variances.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

9.0 RISK ASSESSMENT

9.1 The formal reporting of performance on the General and Housing Revenue Accounts is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – General Revenue Account Outturn Position

Appendix 2 – Minute of Landlord Services Committee – 11 September 2013 (to follow)

**APPENDIX 1
GENERAL REVENUE ACCOUNT OUTTURN POSITION**

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Community Services	5,002	-130	-2.6%
Corporate Services			
- Borough Solicitor	1,387	-85	-6.1%
- Borough Treasurer	1,268	-110	-8.7%
- Transformation Manager	1,577	-130	-8.2%
Housing and Regeneration	1,346	-255	-18.9%
Planning Services	1,786	-220	-12.3%
Street Scene	5,085	-250	-4.9%
Central Budget Items	-3,191	136	4.3%
Employee savings target	-280	280	See note
Contributions to capital agreed in mid year review by Council in December 2012		328	Para 5.2
Support for the 2013-14 Budget agreed by Council in February 2013		225	Para 5.2
TOTAL BUDGET REQUIREMENT	13,980	-211	-1.5%

Table Notes

The budget figures for each Service have been updated to include year-end capital accounting adjustments and the allocation of central budget items to services. These are technical accounting adjustments that do not affect the bottom line budget position.

The employee savings target is a corporate budget heading that is held centrally. The actual savings that are made in relation to this item are contained within services. Consequently savings made elsewhere will offset the apparent variance on this budget area.

General

It should be recognised that some areas of the budget are within the Council's control, for example the filling of vacant posts to achieve salary savings. However other areas such as external income can be volatile where we are exposed to market forces. In addition some service areas are demand led where it can be difficult to directly control expenditure.

Community Services – Favourable variance £130,000

There was a significant favourable variance for the service this year with the largest single contributory factor being managed savings on staffing. There were also savings on supplies and services expenditure, which is also within the direct control of the Council.

Car park income was below target and this was mainly as a result of less income being generated at the Derby Street site than was originally anticipated. Income from fines was though in excess of budget and this has helped to offset some of the shortfall from car park charges. Income from regular stallholders on Ormskirk Market was also below the budget target. These external income areas are not though within the direct control of the Council.

Borough Solicitor – Favourable variance £85,000

During the year there was a substantial amount of Legal Costs recovered mainly in respect of an ex-gratia payment from the Planning Inspectorate. There are also a number of minor savings made on a wide range of budget headings, which when combined explain the overall favourable variance.

Income from Local Searches is currently performing broadly in line with the budget target. Additional provision was made though to cover the potential costs that could arise from the legal challenge being made against all local authorities by property search companies.

Borough Treasurer – Favourable variance £110,000

A significant saving on external audit fees was made as a result of the new contract with Grant Thornton, and there was also a large saving on historic pension costs. Both of these factors have been reflected in the current year's budgets. Elsewhere staffing and other budgets are being effectively controlled which resulted in an overall favourable variance being delivered over the course of the year.

Transformation Manager – Favourable variance £130,000

The shared service arrangement with the County Council and One Connect Limited for Revenues, Benefits and IT Services performed on target, which means that the budgeted savings of £0.5m were delivered. The new shared service arrangement with Wigan Council for payroll services also delivered additional savings this year.

There was a favourable budget variance on salary costs across the Service resulting from the active management of staffing levels. There was also a range of minor savings on other budget headings that have contributed to the overall positive financial performance.

Housing and Regeneration – Favourable variance £255,000

Income performance on the Commercial Assets Portfolio held up extremely well during the year. Due to a marketing exercise undertaken by Estates there has been an increase in demand which has resulted in more lettings, and in fact all the commercial units below 4,500 square feet are now let. The empty rates liability has been controlled effectively, and the recent demolition of Gorseley Place should assist in the management of this area in the future.

Within the Investment centre ring fenced account, a range of initiatives have been implemented to address the financial deficit including tight cost control, reviewing contracts where possible, and developing conference income. Financial performance has improved as a result although an overall loss was made for the year.

Property costs have been effectively managed throughout the year in conjunction with service managers. This has resulted in a favourable variance primarily due to repairs and maintenance expenditure savings.

When all of these factors are put together and combined with a number of staff savings, the overall position is a significant favourable variance.

Planning Services – Favourable variance £220,000

There was a significant adverse variance on Building Control income as a result of the state of the economy and due to factors that are outside the Council's control. This position was, however, mitigated by survey works carried out for a Housing contract. Performance on Pre-Application and Development Control income was, however, considerably above the budget target. Consequently, there was a significant overall favourable variance on income.

There were also managed savings on staffing and supplies and services that meant the Service achieved an overall favourable variance.

Street Scene – Favourable variance £250,000

The Service had to manage some major issues during 2012-13 including achieving MSR savings of around £800,000 and commencing the new transport contract. Both of these targets were successfully achieved. New vehicles started to be delivered towards the back end of the financial year and will facilitate more efficient operational arrangements in the future.

The financial performance for the year was very positive and has been achieved in large part by budget streamlining savings that have already been incorporated into the 2013-14 budget.