



## **AGENDA ITEM: 11**

**CABINET: 18<sup>th</sup> March 2014**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 3<sup>rd</sup> April 2014**

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**Report of: Borough Treasurer**

**Relevant Managing Director: Managing Director (People and Places)**

**Relevant Portfolio Holders: Councillor D. Westley  
Councillor A. Owens**

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### **SUBJECT: REVENUE BUDGET MONITORING**

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Wards affected: Borough wide

#### **1.0 PURPOSE OF THE REPORT**

1.1 To provide a projection of the financial position on the General and Housing Revenue Accounts to the end of the financial year.

#### **2.0 RECOMMENDATIONS TO CABINET**

2.1 That the financial position of the Revenue Accounts be noted including the position on reserves and balances.

2.2 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 on 3<sup>rd</sup> April 2014.

#### **3.0 RECOMMENDATION TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

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



## **4.0 BACKGROUND**

4.1 In February 2013 the Council approved budgets for the Housing and General Revenue Accounts for the 2013-2014 financial year. It is good practice that monitoring reports are produced on a regular basis to ensure that Members are kept informed of the financial position of these accounts. This is the third monitoring report for the year and is based on information available in January 2014.

## **5.0 GENERAL REVENUE ACCOUNT**

5.1 The Council has set a revenue budget of £13.972m for the financial year. The mid-year monitoring report projected an overall favourable variance of £435,000 or 3.1% on the budget. At its meeting in December, Council then agreed to use £261,500 of this favourable variance to provide funding:

- To ensure that all Council staff are paid the Living Wage
- To support the new Economic Development Strategy that is being developed
- For 2 new capital schemes on Vehicle Fleet in Cab Communications and Payment Card Industry Data Security Standards Compliance
- To enable the Ormskirk MotorFest to be held for the next 3 years

5.2 After allowing for these allocations, the balance of the projected favourable budget variance remaining was then £173,500. The latest third quarter monitoring figures now show an improvement of £141,500, and forecast an updated favourable variance of £315,000 or 2.3% of the budget. The Appendix to this report provides further details on the performance of individual service areas.

5.3 The projections have been calculated on a prudent basis, and consequently it can be confidently expected that the Council will achieve a surplus by the year end. This will continue our strong track record of managing our financial performance to ensure that the outturn position is in line with the budget.

5.4 Council considered the potential uses of this favourable budget variance at its meeting in February as part of the Budget Requirement Report. It was then decided that this delivery of a managed underspend against budget in the current year should be used to support the GRA budget position for 2014-15. Consequently the full amount of the projected favourable variance has now been allocated.

5.5 The Council's Business Plan sets out a four-year process to save money and protect frontline services within a very challenging financial environment. As part of this process, the Budget that was approved for this year included a significant value of savings to be achieved, particularly through initiatives that had been agreed through the Major Service Review process. The majority of these initiatives have delivered the expected level of savings either on time or ahead of schedule, and as a consequence the overall savings target will be exceeded.

- 5.6 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. The budget contains a corporate target for staff efficiency savings of £280,000, and the active management of staffing levels will mean that this target should be achieved by the year end.
- 5.7 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. However at the current time, while there is some variation in certain areas, income levels are generally in line with budget targets.
- 5.8 There are a number of services where income is currently performing below the budget target including Car Parks and Treasury Management. However these variances are not significant in the context of the Council's overall financial position. There are also a number of areas where income is performing well above the budget target in particular in relation to Planning application fees. Consequently in overall terms external income levels are currently satisfactory.
- 5.9 A number of spending and income pressures have been identified in the current year that are expected to persist into the next financial year. These areas have been reviewed during the budget process for 2014-15, and budget targets adjusted to reflect anticipated future cost and income levels where appropriate.

## **6.0 HOUSING REVENUE ACCOUNT (HRA)**

- 6.1 The Council approved an external income budget for the HRA of £25.141m for this financial year. Right to Buy sales and void rates heavily influence the amount of income generated and these have caused a number of significant adverse impacts to date.
- 6.2 There were 20 Right to buy Sales allowed for when the budget was set, which was in line with recent trends. However due to government changes on the maximum discount allowable and the increased availability of mortgages, the number of sales is expected to be around 50 for the year. While this has the effect of reducing HRA income it does however increase the available receipts for capital investment.
- 6.3 It was previously reported that a number of issues had impacted on void levels and turnaround in the first half of the year which were caused by a backlog of voids, fitting new kitchens to voids, and capacity issues due to an increase in void numbers. Implementation of an action plan has improved void turnaround and re-let costs, resulting in those properties put on hold due to budgetary pressures in 2012-13 being re-let. The current void level of 1.5% compares favourably against the 2.7% encountered earlier in the financial year, and this has improved the HRA income stream.
- 6.4 On the positive side, the active management of staffing levels combined with the higher level of professional fees being charged through to the much increased capital programme will ensure a significant favourable budget variance this year.

Expenditure in other areas is being effectively controlled, although there are a range of both favourable and adverse variances across different budget areas.

- 6.5 When all of these factors are put together, current projections show that the HRA should achieve a small surplus against its bottom line budget target for the year.

## **7.0 RESERVES AND BALANCES**

- 7.1 The Council agreed an updated Reserves Policy at its meeting in February. This Policy has taken various factors into account including the difficult medium term financial position facing the Council as a result of an ongoing series of reductions in its grant funding. Consequently the GRA will continue to have an adequate level of reserves in place that should enable it to deal with its financial challenges effectively.

## **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.

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### **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 Projected Outturn Position

Appendix 2 – Minute of Cabinet 18 March 2014 (Executive Overview and Scrutiny Committee only)

**APPENDIX 1  
GENERAL REVENUE ACCOUNT PROJECTED OUTTURN POSITION**

| Budget area                               | Net Budget<br>£000 | Variance from Budget<br>£000 | Variance<br>% |
|---|--------------------|------------------------------|---------------|
| Community Services                        | 4,644              | -100                         | -2.2%         |
| Corporate Services                        |                    |                              |               |
| - Borough Solicitor                       | 1,194              | -40                          | -3.4%         |
| - Borough Treasurer                       | 1,103              | -65                          | -5.9%         |
| - Transformation Manager                  | 1,746              | -35                          | -2.0%         |
| Housing and Regeneration                  | 300                | -160                         | See note      |
| Planning Services                         | 1,520              | -220                         | -14.5%        |
| Street Scene                              | 5,045              | -100                         | -2.0%         |
| Central Budget Items                      | 87                 | 185                          | See note      |
| Non Service Items                         | -1,667             | -42                          | 2.5%          |
| Allocations agreed by Council in December |                    | 262                          | Para 5.1      |
| <b>TOTAL BUDGET REQUIREMENT</b>           | <b>13,972</b>      | <b>-315</b>                  | <b>-2.3%</b>  |

Table Notes

The budget figures for each Service have been updated to include 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 requirement, which has remained unchanged during the year at £13.972m.

Housing and Regeneration has a relatively small net budget requirement because it contains Property Services which is a support service that recharges most of its costs to other services, and also the Community Related Assets portfolio, which generates a significant amount of external income.

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 £100,000

The financial performance of the Service continues to do well, with the largest single contributory factor being managed savings on staffing, supported by a number of smaller savings on non staffing areas. The bottom line projection for the Service reported at the mid year stage was a favourable budget variance of £70,000. This projection has now increased to £100,000 taking into account the latest available information.

Income performance has generally been good but with a number of variances. Car Park Pay and Display income has been performing below budget and this position has been exacerbated by the termination of the agreement at Two Saints Car Park. This adverse variance will be mitigated by additional income from penalty charge notices, but overall the car park income stream will be significantly down on budget. These factors have been taken into account when setting the car park budgets for 2014-15.

Home Care Link (previously reported as Lifeline), is anticipated to outturn ahead of its budget target with a surplus on the account at the year end. The surplus on the account will be transferred to the Home Care Link Reserve, for future use in line with the Reserves Policy.

#### Borough Solicitor – Favourable variance £40,000

Income from Local Searches is currently performing above the budget target to date, and there has also been a substantial amount of Legal Costs recovered. Expenditure is being effectively controlled and there are savings in a range of areas including Civic Admin and Supplies and Services. When all of these factors are combined it should ensure that the service has an overall favourable variance.

#### Borough Treasurer – Favourable variance £65,000

The new insurance contract will deliver a 12% reduction in cost while maintaining the same level of cover, and Council have previously agreed that this saving should be used to help finance the new Blue Wheelie Bin scheme.

Staffing and other costs are being effectively managed and controlled, and this should result in an overall favourable variance being delivered over the course of the year.

#### Transformation Manager – Favourable variance £35,000

There is a small favourable budget variance on salary costs across the Service, as well as a range of minor savings on other budget headings that have contributed to the overall positive financial performance. The level of Benefits payments will be kept under review as this is a demand led area that is not under the direct control of the Council.

#### Housing and Regeneration – Favourable variance £160,000

The restructuring of the Housing and Regeneration service has enabled a £60,000 saving to be made this year as previously reported in the MSR report to Council in July.

Regeneration and Estates is projected to achieve a significant favourable variance mainly due to staff savings. The Investment Centre is trading far better than its budget targets, although a loss is still projected for this financial year, as discussed elsewhere on the agenda. The Industrial Portfolio income position is bucking the national trend and is better than previous years. In general, income from the Commercial Assets Portfolio is holding up, although due to the economic climate there is an issue with bad debts that will have to be considered in more details through the closure of accounts process.

The overall Property Services forecast is for expenditure to match budget for the year. Utilities expenditure for water, gas and electricity are all projected to have an adverse variance, which has been taken into account in preparing next year's budgets. However tight control of other expenditure headings, and in particular repairs and maintenance, has mitigated these cost pressures in order to achieve a budget neutral position.

### Planning Services – Favourable variance £220,000

Planning Application Fees and Pre-Application Advice charges are continuing to perform significantly above their targets for the year. Building Control income is also performing in line with its target and there are additional payments due for the Housing survey works that were negotiated towards the end of the last financial year. Whilst this increase in income has been a significant contributor to the projected favourable variance, it should be borne in mind that this income is demand led and volatile and not necessarily sustainable for the long term.

Savings have also been achieved through the strict management of staffing and supplies and services ahead of the implementation of the Organisational Reengineering of Planning Services and the continuing Major Services Review.

### Street Scene – Favourable variance £100,000

The budget that was set for this year included £200,000 of budget streamlining savings and these are being achieved. The new vehicles that have been introduced have also facilitated service improvements. Progress is being made on the deployment of recycling bins and work is progressing in line with timescales. The service area is expected to outturn with a £100,000 favourable budget variance, mostly as a result of non-staff savings including some vehicle hire costs.

### Central Budget and Non Service Items

This heading covers a range of corporate budgets including savings targets, treasury management, and capital charges. Central savings targets for staff and other efficiency improvements are all held in this area. The actual savings that are made in relation to these items are contained within Services. Consequently savings made elsewhere will help to offset the adverse variances on these budget items.