



**AGENDA ITEM: 14**

**CABINET: 24<sup>th</sup> March 2009**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 8<sup>th</sup> April 2009**

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**Report of: Council Secretary and Solicitor**

**Relevant Portfolio Holder: Councillor D. Westley**

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**SUBJECT: REVENUE BUDGET MONITORING**

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District wide interest

**1.0 PURPOSE OF THE REPORT**

1.1 This report provides a projection on 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 considered and noted.

2.2 That call in is not appropriate for this item as it is to be 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.

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## **4.0 BACKGROUND**

- 4.1 In February 2008 the Council approved budgets for the Housing and General Revenue Accounts for the 2008-2009 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 February 2009.

## **5.0 GENERAL REVENUE ACCOUNT**

- 5.1 The Council has set a revenue budget of £16.258m for the financial year. In total current projections forecast that net expenditure will be around £140,000 below this target, which represents a small variance of around 0.9%.
- 5.2 The projections have been calculated on a prudent basis, and experience from past years suggests that the overall position may improve further by the time the accounts are finalised. Consequently it can be confidently expected that the Council will achieve a small 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.
- 5.3 The budget contains a corporate target for staff efficiency savings of £251,000. The active management of staffing levels by divisional managers combined with the interim management arrangements, and the impact of the strike action earlier this year, mean that this target will be significantly exceeded.
- 5.4 However there will be an increase in costs as a result of the recent announcement that, following national arbitration, the pay award for 2008-09 will be set at 2.75%, which is above the 2.5% that had been allowed in the budget. However savings on staffing will still be made even allowing for this factor.
- 5.5 In 2007-08 there was a strong performance in generating external income across a range of areas including planning, treasury management, and rents from commercial assets. In all of these areas budget targets were significantly exceeded. To a large extent this performance reflected market conditions, and the downturn in the economy that has subsequently taken place means that overall income levels in the current year will be significantly lower.
- 5.6 In particular the slow down in the housing market and the credit crunch have reduced income levels for Building Control together with Local Searches and these factors are not within the direct control of the Council. However at the end of February, Development Control income was in line with its budget target, which represents a significant improvement on the mid year position. In addition Treasury Management income has only recently begun to be affected by reductions in short term interest rates, as a result of investments having been made for longer time periods.

- 5.7 The re-tendering of the insurance contract has produced a significant cost saving this year. Effective procurement practices have also helped to minimise the cost increases for new gas and electric contracts, in the face of steep rises in world energy prices at the times the contracts were being let.
- 5.8 The projected variances reflect current estimates of the likely difference between spending / income and budget for the full financial year. These estimates are based on current data and are subject to change as new information becomes available and the accounts are closed down as part of the year-end process.
- 5.9 As part of the budget for 2009-10 it was agreed to use a projected £70,000 favourable variance on Housing to fund the cost of a private sector housing stock survey that must be undertaken once every 5 years in accordance with the Housing Act 2004. In addition it was agreed at Council in December to use £40,000 from the projected favourable variance within Regeneration and Estates to meet potential exit costs from restructuring. This leaves a balance of £30,000 from the overall favourable variance of £140,000 that has not yet been allocated for any specific purpose.
- 5.10 The Appendix to this report provides further details on the performance of individual divisions.

## **6.0 HOUSING REVENUE ACCOUNT**

- 6.1 The Council set a budget for the Housing Revenue Account based on generating income of £20.040m. This budget included a contribution of £135,600 from working balances and a further £100,000 from unallocated reserves to support the HRA's financial position.
- 6.2 At the mid year review stage it was projected that a small surplus would be achieved at the year end. This was mainly due to additional income from a combination of the slow down in Right to Buy Council House sales and management action to control voids. The continued active management of staffing levels and vacancies has also generated a favourable variance although there are spending pressures particularly in relation to repairs and maintenance. The latest estimates continue to forecast that the Council will achieve an overall small surplus on these service areas.
- 6.3 However the unprecedented reduction in interest rates that has taken place over the last 6 months has significantly affected HRA Item 8 interest. The budget setting report to Council in February identified the need to take a further £151,000 from working balances to address this factor. This will leave HRA balances at around £630,000, which remains above the minimum required level for prudent financial management.
- 6.4 This position is based on current data and is subject to change as new information becomes available and the accounts are closed down as part of the year end process.



## **7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

7.1 There are no direct sustainability implications arising from this report.

## **8.0 RISK ASSESSMENT**

8.1 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. The early identification of budget issues will also enable them to be addressed in a timely fashion.

## **9.0 CONCLUSIONS**

9.1 The GRA and HRA are on course to achieve their budget targets for the year and this continues the trend of strong financial performance achieved by the Council over many years.

9.2 The downturn in the economy that has recently taken place together with the credit crunch has reduced external income levels. However the Council is well placed to deal with these challenges.

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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**

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

### **Appendices**

Appendix 1 – General Revenue Account Projected Outturn Position

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

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Assistant Chief Executive	97	-45	See note
Community Services	4,936	-95	-1.9%
Financial Services	4,200	-85	-2.0%
Housing and Property Maintenance	851	-70	-8.2%
Human Resources	5	-15	See note
Legal & Member Services	1,295	40	3.1%
Planning & Development Services	1,824	45	2.5%
Regeneration and Estates	-361	-50	-13.9%
Street Scene	5,821	-75	-1.3%
Impact of additional 0.25% pay award	0	40	N/a
Divisional Subtotal	18,668	-310	-1.7%
Central Budget Items	-2,410	170	7.1%
<b>TOTAL BUDGET REQUIREMENT</b>	<b>16,258</b>	<b>-140</b>	<b>-0.9%</b>

Table Notes

The budget figures for each Division have been updated to include capital accounting adjustments and the allocation of central budget items to divisions. These are technical accounting adjustments that do not affect the bottom line budget requirement, which has remained unchanged during the year at £16.258m.

The Assistant Chief Executive and Human Resources divisions have relatively small net budget requirements because they contain support services and consequently recharge most of their costs to other service areas. The Regeneration and Estates division has a negative budget as it contains the Community Related Assets portfolio, which makes a substantial contribution to the overall running costs of the authority.

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.

Assistant Chief Executive Division – Favourable variance £45,000

The main variance for the division relates to savings on staffing costs. There are a number of other minor favourable variances covering a range of budget headings.

#### Community Services Division – Favourable variance £95,000

There is a significant favourable variance on the Environmental Health service. The biggest single contributory factor to this position is savings on staffing, while non-staffing costs and income levels are broadly on target.

Leisure and Cultural Services are also on course to achieve a favourable budget variance. This includes savings on staffing costs plus reduced costs in relation to the Leisure Trust due to the effect of actual contract inflation being below that previously estimated.

#### Financial Services Division – Favourable variance £85,000

The division has achieved an overall favourable variance through making savings on employee costs through the interim management arrangements and by the active management of staff vacancies. A significant saving has also been achieved through the re-tendering of the insurance contract.

The Council will pay out around £28m in Council Tax and Housing Benefit this year. However as this is a demand led service it is not within the direct control of the Council and it is difficult to predict the final outturn position. Subsidy is claimed on the payments that are made according to a complex formula, and the way in which the system works means that the Council cannot recover all of its costs. Benefit payments showed a significant adverse variance against budget in 2007-08, and it is expected that this situation will be repeated again in the current year.

Travel concessions are also a demand led service area that is not within the direct control of the Council. A new national free bus pass scheme for the elderly and disabled has been introduced from April 2008, and it is anticipated that a saving will be made on its first year of operation.

#### Housing and Property Maintenance Division – Favourable variance £70,000

The active management of staffing levels and vacancies has generated a favourable variance on Housing Services. There have also been significant savings made on non-staffing expenditure, which it is intended to use towards the costs of a private sector housing stock survey that is a statutory requirement.

Property Services covers a large part of the Council's utilities budgets, and costs in this area have increased as a result of external market factors. However effective procurement practices have helped to minimise the increases in gas and electric costs that the Council faces.

#### Human Resources Division – Favourable variance £15,000

There remains a high level of demand for HR services with work on job evaluation, harmonisation, and other issues that continue to put the small HR team under considerable strain. However, service levels will be maintained and key targets will be met. The favourable variance is due to savings on salary costs together with a number of other minor variances within the Division.

Legal and Member Services Division – Adverse variance £40,000

The main area causing this adverse variance is the significant reduction in income from Local Searches, which is not within the direct control of the Council. Salary savings have been achieved to date, mainly through delays in filling vacant posts, and various other minor net savings are anticipated.

Planning and Development – Adverse variance £45,000

There have been significant savings on staff costs within the division due to the late or non-filling of vacant posts. However, the level of income from Building Control is significantly below budget and this is the main reason for the overall adverse variance. Income from Development Control has however significantly recovered since the mid year review and at the end of February was in line with its budget target.

Regeneration and Estates – Favourable variance £50,000

Active management of staff vacancies will produce a significant favourable variance. External Income levels from the Investment portfolio have been coming under strain, especially in the second half of the year, as national economic conditions have deteriorated. Careful management of the total budget throughout should still mean that a favourable variance is anticipated for the year, in accordance with the savings predicted in the re-structure report to Council in December 2008 that will support staff exit and protection costs.

Street Scene – Favourable variance £75,000

Significant savings have been achieved within the Grounds Maintenance Trading Account, in particular employee costs and equipment. Additional income has also been received from the County Council.

Central budget items

This heading covers a range of corporate budgets including savings targets, treasury management, and capital charges.

Central savings targets for staff efficiency, Gershon efficiency improvements and savings from Organisational Re-engineering are all held in this area. The actual savings that are made in relation to these items are contained within Divisions. Consequently savings made elsewhere will help to offset the adverse variances on these budget items.

In the first part of the year there was a significant favourable variance on treasury management, with investment income exceeding the budget target. However recent interest rate reductions have had a significant detrimental impact and this will continue into the next financial year.