



AGENDA ITEM: 14

CABINET: 15 September 2009

**EXECUTIVE OVERVIEW AND
SCRUTINY: 1 October 2009**

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D. Westley

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SUBJECT: FINANCIAL OUTTURN

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To set out key features of the financial outturn position for the last financial year.

2.0 RECOMMENDATIONS

2.1 That the outturn position as presented including contributions to and from balances and reserves be noted and endorsed.

2.2 That call in is not appropriate for this item as it is to be submitted to the next meeting of Executive Overview and Scrutiny Committee.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the outturn position be noted.

4.0 BACKGROUND

4.1 Members received regular monitoring reports on the budget position during the course of the 2008-09 financial year. This report draws together details of the final outturn for that year and its impact on the level of balances and reserves. The audit of the accounts by our External Auditors is nearing completion but they have not raised any significant issues on the accounts to date. However if any issues are raised then these will be reported back to Members in due course.

5.0 GENERAL REVENUE ACCOUNT POSITION

- 5.1 The Council set an original budget of £16.258m for the year. The final outturn position shows an overall favourable variance of £330,000, which is equivalent to 2.0% of the total budget. This continues the track record of delivering outturn performance in line with the budget that has consistently been realised by the Council, and means that another year's successful performance has been achieved.
- 5.2 The difficult medium term financial position facing the Council has been recognised for some time. Divisional Managers have been working to manage their outturn and to deliver savings that will assist in handling this situation. A breakdown of the outturn position by division is set out in Appendix 1 and shows that every division either achieved or exceeded their budget targets.
- 5.3 In overall terms while income budgets came under pressure during the year this has been more than offset by savings on staffing. In this respect the slow down in recruitment to vacant posts that has taken place has had an impact, both in terms of generating savings and reducing levels of activity.
- 5.4 The last quarterly monitoring report projected that the outturn would be a favourable budget variance of £140,000. Consequently the final position of a variance of £330,000 shows an improvement of £190,000. This repeats the pattern of previous years where there is a significant improvement in the budget position at the year-end.
- 5.5 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 2008 to use part of the projected favourable variance within Regeneration and Estates to meet potential exit costs from restructuring, and this will more than provide for the £60,000 of redundancy payments to employees that were incurred in the year.
- 5.6 This leaves a managed underspend of £200,000 from the overall favourable variance of £330,000, which has been added to the Restructuring reserve, in order to meet exit costs from the organisational downsizing initiative.

6.0 HOUSING REVENUE ACCOUNT POSITION

- 6.1 The final outturn for the HRA is a small surplus of £64,000, which will be added to HRA balances. This outturn position includes 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 favourable variances.
- 6.2 This position is a significant improvement from the last monitoring report where it was expected that balances would need to be used to support the revenue budget. The improvement is mainly a result of a large reduction in insurance fund contributions resulting from an actuarial review of the Insurance Fund and because investment income has not reduced as much as was initially anticipated.

6.3 Effective management action has helped to deliver a successful outturn performance. However looking to the current year not all of these savings will be repeatable, and the financial position for the HRA remains challenging.

7.0 RESERVES AND BALANCES

7.1 The structure and level of reserves has now been updated to reflect the reserves strategy agreed by Council in February. Appendix 2 shows the year end values of reserves and includes the transfer of £1m from the Insurance Fund to the Restructuring reserve agreed by Council to meet potential exit costs from Organisational Downsizing. The overall position on reserves and balances continues to be very healthy.

8.0 SUMMARY

8.1 The GRA and HRA have met their budget targets for the year and this continues the trend of strong financial performance achieved by the Council over many years. Despite limited government funding and reductions in external income levels due to the credit crunch a managed underspend has been delivered.

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 – GRA Outturn Position
Appendix 2 - Year End Balances and Reserves

**APPENDIX 1
GRA OUTTURN POSITION**

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Assistant Chief Executive	156	-37	See note
Community Services	4,868	-156	-3.2%
Financial Services	4,386	-128	-2.9%
Housing and Property Maintenance	838	-88	-10.5%
Human Resources	5	-30	See note
Legal & Member Services	1,287	0	0.0%
Planning & Development Services	1,881	-56	-3.0%
Regeneration and Estates	-384	-130	-33.9%
Street Scene	5,822	-117	-2.0%
Central Savings targets	-420	420	See note
Central Budget Items	-2,181	-8	-0.4%
TOTAL BUDGET REQUIREMENT	16,258	-330	-2.0%

NOTES

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.

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

The budget figures for each Division have been updated to include year-end capital accounting adjustments (excluding impairment) 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.

**APPENDIX 2
YEAR END BALANCES AND RESERVES**

Reserves	Amount £000
GRA Balances	
CORE BALANCES	900
CONTINGENCY BALANCES	774
Insurance Fund	
INSURANCE RESERVE	3,350
LABGI Reserve	
LABGI FUNDING	1,225
Corporate Reserves	
MAJOR PROJECTS	806
CENTRAL CONTINGENCIES	86
BUDGET EQUALISATION	337
STRATEGIC IT	138
CORPORATE INCOME	126
RESTRUCTURING	1,526
COMMUTATION EQUALISATION	150
BUDGET AND EFFICIENCY SAVINGS	988
Specific Grant Reserves	
BENEFITS INITIATIVES	213
HOUSING GRANTS	17
PLANNING DELIVERY GRANT	287
AREA BASED GRANT	115
Ring Fenced Reserves	
COMMUNITY SAFETY	55
LACEHO	4
INDUSTRIAL PORTFOLIO FUND	339
INVESTMENT CENTRE	330
Reserves to support the 2009-10 budget	
INTEREST EQUALISATION ACCOUNT	156
ETHNIC MINORITY CONSULTATION	10
PRIVATE SECTOR HOUSING	20
DEVELOPMENT CONTROL EQUALISATION	72
PLANNING RESERVE ACCOUNT	15
Repairs and Renewals	
CRA PORTFOLIO – REPAIRS AND RENEWALS FUND	198
PAY & DISPLAY MACHINE REPLACEMENT FUND	28
Housing Revenue Account	
HRA BALANCES	981
SUPPORTING PEOPLE	54
SPECIFIED RESERVES	638
HEATING CHARGES	0
DECOMMISSIONING TV AERIALS	344
REGENERATION	200
RENT ALLOWANCE	401