



AGENDA ITEM: 15

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: REVENUE MONITORING

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To provide an early assessment of the financial position on the Revenue Accounts in the new financial year.

2.0 RECOMMENDATIONS TO CABINET

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

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 financial position of the Revenue Accounts be noted.

4.0 BACKGROUND

4.1 In February 2009 the Council approved budgets for the Housing and General Revenue Accounts for the 2009-2010 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.

5.0 PREVIOUS YEAR PERFORMANCE

- 5.1 The revenue outturn report contained elsewhere on this agenda shows that budget targets were successfully met for both the GRA and the HRA in the previous year. This continues the Council's track record of good financial management that has been achieved over many years.
- 5.2 Consequently it can reasonably be expected that this strong financial performance will be carried forward, in many cases, into the new year. However the downturn in the economy will undoubtedly make income targets difficult to achieve and this will be a key factor in this year's budget position.

6.0 PAY AWARD

- 6.1 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. To put this into context each 1% increase in the pay bill will increase costs in the GRA by around £160,000, and costs in the HRA by around £30,000.
- 6.2 The budget estimates for 2008-09 were based on an assumed 2.5% pay increase but the final pay award was higher at 2.75%, and this higher level of increase was determined too late to be included in the current year's budget. The budget for 2009-10 included an estimated 2.5% pay award but the actual pay award for this year is not yet known.
- 6.3 Negotiations between the employers and the unions are currently taking place, and the employers have recently made an offer of a 1% pay award with 1.25% for the lowest paid staff. If this offer was agreed it would mean a net saving of around 1.25% on the pay bill for 2009-10, which would equate to around £200,000 for the GRA and £37,000 for the HRA. It may however be some time before the pay award is finalised and so this saving cannot be guaranteed at this time.

7.0 GENERAL REVENUE ACCOUNT (GRA) POSITION

- 7.1 The Council has set a revenue budget of £16.322m for the General Revenue Account for the year. This budget was based on a 2.0% increase in the Council tax, which was well below the national average increase of 3.0%.
- 7.2 In recent years an annual savings target for staff efficiencies of £250,000 has been included in the GRA budget. In 2009-10 this was increased by £200,000 to reflect anticipated part year savings that would be generated from organisational downsizing.
- 7.3 Initial forecasts are projecting that these targets will be met and exceeded by the end of the year. A significant proportion of these savings will come from reductions in senior management costs following the restructuring report agreed by Council in July. Further savings will come from Organisational Downsizing as proposals are implemented during the course of the year. In addition there are also savings being made from holding vacant posts open to maximise the chances of redeployment for staff that have been declared at risk and to minimise the number of redundancies.

- 7.4 This year's budget included an increase of £207,000 to meet anticipated additional costs arising from the job evaluation process. However as job evaluation has not yet been implemented it means that this remains an area of potential volatility. In addition there is also the potential for staff to submit equal pay claims once job evaluation has been completed, and consequently this area will need to be kept under close scrutiny.
- 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 particularly volatile at the moment given the state of the economy and the credit crunch. However at the current time income levels, while under pressure, are currently performing close to budget in the vast majority of areas.
- 7.6 The main exception to this position is in relation to planning application income which is significantly below budget up to the middle of August. This position could improve significantly if any large scale applications come through but at the current time there aren't any in the pipeline. Income in relation to Building Regulation income is however broadly on line with its budget target.
- 7.7 In April 2008 the national statutory concessionary travel scheme for the elderly and disabled was extended to provide free travel at off peak times. Spending came in below the budgeted level in 2008-09 but the position in the current year is less certain as a number of bus operators have applied for a judicial review of the County wide travel scheme. If the bus operators are successful in challenging the reimbursement rates that are currently paid to them for each journey then it could lead to a significant increase in expenditure.
- 7.8 Since the economic downturn started during the course of last year there has been a considerable increase in benefits expenditure, and payments are continuing to rise at the current time. While the majority of this expenditure is funded by government grant a small element of these payments must be picked up by the Council and consequently this budget heading is likely to be over spent at the year end.
- 7.9 Putting all of these factors together, at the current time it is expected that the bottom line position for the GRA will be within its overall budget target, although with some favourable and some adverse variances. However there are a number of areas of possible variation within the budget, as highlighted above, and these will continue to be monitored closely.

8.0 HOUSING REVENUE ACCOUNT (HRA) POSITION

- 8.1 The Council set an original budget for the Housing Revenue Account based on generating external income of £21.093m.
- 8.2 The first quarter has seen the HRA Day-to-Day, Programme Maintenance and Void Repair budgets all come under severe pressure. The principle reasons relate to the need to carry out unforeseen health and safety work to central heating systems, and the consequences of having to carry out more stringent electrical testing at the time of a void re-let. The Housing and Finance Portfolio Holders have approved the transfer of £60,000 from Working Balances to

mitigate these pressures on the HRA. This area of work will be continually reviewed during the course of the financial year.

- 8.3 On a more positive note the number of Council House Sales is well below the estimate and this will improve the level of rental income that will be generated. There will also be further savings on insurance contributions following the actuarial review of the Insurance Fund, and the active management of staff vacancies will also contribute to the benefit of the HRA.

9.0 RESERVES AND BALANCES

- 9.1 A list of reserves and balances at the start of the year is included in the Revenue outturn report included elsewhere on the agenda. There are a number of uses of these reserves that have been previously agreed but two new items have developed so far this year.
- 9.2 Proposals for a new Waste Transfer Station at Stanley Depot were the subject of a report to Council on 22nd April. It was agreed to negotiate with Lancashire County Council and enter into necessary agreements and obtain any necessary consents to enable the development of this new Transfer facility. That report stated that the new waste disposal arrangements involving the Waste Transfer Facility would save the Borough Council £60,000 per annum in operating costs.
- 9.3 There are a number of restrictive covenants on the Stanley Depot site that rest with the Homes and Communities Agency (HCA), that currently limit how the site can be developed. Officers have been in negotiations with the HCA in respect of the covenants, and the HCA have agreed to release the covenants on the whole of the site for a negotiated price of £65,000
- 9.4 Consequently the development of the Transfer facility will require a one off payment of £65,000 to be made, but this investment will enable ongoing annual savings of £60,000 to be achieved, and so will deliver good value for money. It is intended that this payment will be met from the Major Projects Fund, which is an appropriate use of this reserve.
- 9.5 Provision has also been made for legal costs of up to £40,000 that may be incurred in relation to noise abatement and planning issues regarding Leisure Lakes, Mere Brow.

10.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

- 10.1 There are no direct sustainability implications arising from this report.

11.0 RISK ASSESSMENT

- 11.1 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.

12.0 CONCLUSIONS

12.1 At this stage in the financial year the overall picture is that the GRA and the HRA are broadly on course to meet their budget targets, although the economic downturn and other factors could have a significant impact on the final outturn.

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

None