



AGENDA ITEM: 13

CABINET: 14 September 2010

**EXECUTIVE OVERVIEW AND
SCRUTINY: 30 September 2010**

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 2010 the Council approved budgets for the Housing and General Revenue Accounts for the 2010-2011 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. This will include a significant favourable variance on travel concessions following the negotiation of more advantageous reimbursement rates with bus operators. However the economic recession will undoubtedly make income targets difficult to achieve and will put also put pressure once again on the benefits budget.

6.0 EMPLOYEE COSTS

- 6.1 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. The budget estimates for 2010-11 were based on an assumed 0.5% pay increase but the actual pay award for this year is not yet known. To put this into context each 0.5% increase in the pay bill will increase costs in the GRA by around £80,000, and costs in the HRA by around £17,000.
- 6.2 Negotiations between local government employers and unions are currently taking place. The employers have stated that there should be a pay freeze this year as a result of the extremely difficult financial position facing local authorities, but the unions have argued that there should be a pay increase to reflect factors such as inflation. Consequently it may be some time before a final position is determined.
- 6.3 A process is currently underway to assess staff appeals against job evaluation scores. The outcome of this process is not yet known but if there are successful appeals then it would lead to additional costs. Consequently this area will need to be kept under close scrutiny.

7.0 GENERAL REVENUE ACCOUNT (GRA) POSITION

- 7.1 The Council has set a revenue budget of £16.420m for the General Revenue Account for the year. This budget was based on freezing the Council tax at the same level as the previous year, which was well below the national average increase of 1.8%.
- 7.2 In recent years an annual savings target for staff efficiencies of £250,000 has been included in the GRA budget. A significant part of this saving will be achieved following Council's decision to delete the posts of the Deputy Chief Executive and his Executive Assistant at the end of May, and this should save around £120,000 per year in a full financial year. The active management of other staff vacancies means that the overall target for the year should be achieved.

- 7.3 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 depressed at the moment given the state of the economy. However at the current time income levels, while under pressure, are currently performing close to budget in most areas.
- 7.4 The main exception to this position is in relation to planning income which is below budget at the current time. This position could improve significantly though if a number of major schemes are submitted in the coming months, and consequently this is an area that will need to be kept under review.
- 7.5 A statutory instrument to revoke the fee for personal searches of the Local Land Charges Register has now been laid by the Government and has come into force. While the full effect of this development cannot yet be accurately identified it seems inevitable that this will reduce the income the Council generates on Local Searches and so will have a negative effect. Further details will be reported back to Members in the next monitoring report when the position should have become clearer.
- 7.6 The opening of the Waste Transfer Station will enable cost savings to start to be achieved this year. Local bin wagons will deposit material at the transfer station for it to be loaded into larger vehicles that can carry double the tonnage. This will reduce mileage and road congestion, and will enable the collection teams to get back on their rounds more quickly and improve efficiency.
- 7.7 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 £21.078m.
- 8.2 Whilst enquiries under Right to Buy Council House regulations are beginning to increase the actual level of sales remain low. This has a positive affect on HRA rental income but means there are only limited capital receipts being generated that can be used for capital investment.
- 8.3 Central Heating Maintenance costs are running ahead of budget. However, the Property Services Section within Housing has successfully secured grant funding to introduce technologically advanced heating and energy supply to one of our Heating Schemes. This Scheme will commence shortly and will reduce maintenance costs significantly,
- 8.4 Consequently at the current time there is every expectation that the HRA will achieve its budget targets.

9.0 RESERVES AND BALANCES

- 9.1 There have been a number of uses of reserves that have already been agreed so far this year. Council in July agreed that funding from general contingencies of up to £35,000 could be used to support the work of the Leisure Cabinet Working Group, and up to £150,000 be used to support the work of the Business Plan Cabinet Working Group.
- 9.2 There has also been an award of costs against the Council of £25,000 that will be met from reserves for a planning appeal relating to the LO Jeffs Site, Haskayne. The legal and professional costs associated with planning matters and appeals have been increasing in recent times and this issue will need to be considered as part of the budget setting process for 2011-12.

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 outcome.

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