



AGENDA ITEM: 12

CABINET: 14 September 2010

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

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D. Westley

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: REVENUE 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 TO CABINET

2.1 That the outturn position including contributions to reserves 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 outturn position be noted.

4.0 BACKGROUND

4.1 Regular monitoring reports on the budget position have been produced during the course of the 2009-10 financial year, and this report draws together details of the final outturn position and its impact on the level of reserves and balances. 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 OUTTURN POSITION

- 5.1 The Council set an original budget of £16.322m for the year. The final outturn position shows an overall favourable variance of £465,000, which is equivalent to 2.8% 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 exceeded its budget targets.
- 5.3 A key factor in the outturn position was that as a result of the lower than expected pay award there was a saving of around £200,000 compared to budget.
- 5.4 While income budgets came under pressure during the year, performance has held up well in most areas given the difficult economic climate. However there were significant adverse variances in Development Control and Car Park income at the year end.
- 5.5 However these income variances have been more than offset by significant savings on staffing, and in particular the savings from Organisational Downsizing (OD). When the budget for 2009-10 was set an allowance of £200,000 was made for OD savings as at that time it was unclear what value of savings would be made and how long it would take to implement them. The final value of OD savings was £548,000 and so came in £348,000 better than the budget target. Consequently a key reason for the favourable budget variance is a managed underspend as a result of the OD initiative. The full year value of OD savings included in the budget for 2010-11 was £1.25m.
- 5.6 There were two high profile issues this year – travel concessions and benefits - where it was not possible to predict the outturn position with certainty and which were highlighted to Members. These issues will need to be kept under review as there may well be a further budget impact both in the current year and when setting the budget for 2011-12.
- 5.7 The Council participates in the Lancashire wide travel concession scheme for the elderly and disabled. A new set of County wide reimbursement rates were introduced this year to pay bus operators for concessionary journeys, with the aim of reducing costs. However these rates were challenged by the bus operators and it has only been recently that most of these legal issues have been resolved and the financial position has become clearer. As a result of the new rates a favourable budget variance of £153,000 has been achieved. This issue was raised in the revenue monitoring reports but was not included in the outturn projections, on a prudent basis, as the outcome was unclear.

- 5.8 Since the economic downturn started there has been a considerable increase in benefits expenditure, and payments are continuing to rise at the current time. Around £34m in Benefits was paid out last year, and this is a demand led service that is not within the direct control of the Council. While the majority of this expenditure is funded by government grant through a complex subsidy system, a small element of these payments must be picked up by the Council, and so the higher level of payments means higher costs for the Council.
- 5.9 More significantly though, there is an increasing problem in relation to higher benefits payments in a specific category - exempt accommodation - which attract a very low rate of subsidy. Taken together these factors have meant that there is a significant increase in subsidy loss this year of around £180,000.
- 5.10 A further important factor was that there was a significant favourable budget variance on Street Scene for the year. This was delivered largely through efficiencies in terms of closer integration between Street Cleansing and Grounds Maintenance.

6.0 GRA RESERVES

- 6.1 The overall level of reserves has reduced significantly during the course of the year in line with budget targets. In particular there was a contribution of £0.680m from the Budget and Efficiency Savings reserve to support the 2009-10 budget, as well as funding of £1.258m from the Restructuring Reserve to meet exit costs from Organisational Downsizing and other redundancies.
- 6.2 The final under spend for 2009-10 of £465,000 has to be allocated to reserves as part of the closedown process. Council agreed in February when setting the budget for 2010-11 that £196,000 of the projected underspend should be used to fund temporary reductions in external income in 2010-11. Council then agreed at its meeting in July that the balance of £269,000 would be used as funding for general contingency purposes, to support the Apprenticeship scheme, New Burdens Survey work, with the balance allocated to the Restructuring Reserve to meet potential future exit costs.
- 6.3 The level of GRA balances remains unchanged at £1.674m and the Council continues to maintain its balances and reserves at an adequate level.

7.0 HOUSING REVENUE ACCOUNT

- 7.1 The Council set a gross expenditure budget for the Housing Revenue Account (HRA) of £21.093m.
- 7.2 As previously reported severe weather conditions experienced in the first quarter of the calendar year together with the need to carry out essential health and safety work particularly in respect of heating systems has meant that the Programme Maintenance and Repairs Budgets have been exceeded.

Budgets were realigned to meet these issues and £60,000 taken from Housing Working Balances as a result.

- 7.3 These costs pressures were offset due to low numbers of Right to Buys Council House sales, a favourable actuarial review of insurance contributions, and other prudent budgetary measures that have not adversely impacted on our service delivery. As a result the outturn position shows that income and expenditure within the HRA has been balanced for the year.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

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.

10.0 CONCLUSIONS

- 10.1 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 recession 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 – General Revenue Account Outturn Position

APPENDIX 1 GRA OUTTURN POSITION

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Assistant Chief Executive	3,017	-165	-5.5%
Community Services	5,627	-140	-2.5%
Housing and Property Maintenance	1,056	-85	-8.0%
Human Resources	142	-10	-7.0%
Legal Democracy and Financial Management	4,004	-115	-2.9%
Planning	1,861	-30	-1.6%
Regeneration and Estates	381	-55	-14.4%
Street Scene	5,987	-320	-5.3%
Central Savings targets	-420	420	See note
Central Budget Items	-5,333	35	0.7%
TOTAL BUDGET REQUIREMENT	16,322	-465	-2.8%

NOTES

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 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 £16.322m.

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 – Favourable variance £165,000

The main variance for the division relates to savings on salary costs from the lower than expected pay award and the active management of staff vacancies. There was also a further full year's savings effect from the closure of the cash offices. There was an adverse variance in IT as a result of a number of factors including increased costs for software licences, printer consumables and internet costs, however this was partially offset by reduced telephone costs.

Other significant variances within the division relate to Benefits and Travel concessions as set out in paragraphs 5.6 to 5.9 above.

Community Services – Favourable variance £140,000

There has been a significant favourable variance for the division, and the largest contributory factors to this position are managed savings on staffing and savings on the pay award.

The budget for off street car park income was raised this year and while actual income levels have increased they did not fully achieve the target level. However the adverse weather conditions during the winter exacerbated this position. Income levels for parking charge notices are also below target. However a saving is now being made following the transfer of responsibility for on street parking back to the County Council.

Income from regular stallholders on Ormskirk Market was also below budget. The shortfall was due to the level of holidays, sickness and closures due to inclement weather, but the reduction was partially offset by additional income from casual traders.

There are a number of variances in other service areas but these do not have a significant net effect on the bottom line for the division.

Housing and Property Maintenance – Favourable variance £85,000

The active management of staffing levels and vacancies has generated a significant favourable budget variance within the division.

However there was an adverse variance on repairs and maintenance costs for some of the Council's buildings that reflected their poor condition and ongoing maintenance issues. Water rates costs have also increased as a result of a change in billing practices by the water company.

Human Resources – Favourable variance £10,000

The HR team had a number of critical work issues to contend with this year including JE and OD. However financial performance was managed stringently and a small favourable overall variance was achieved.

Legal Democracy and Financial Management – Favourable variance £115,000

The division has achieved an overall favourable variance through making savings on employee costs through senior management restructuring and the active management of staff vacancies. Various other minor net savings were also achieved.

Income from Local Searches, which had been reducing in previous years, stabilised and the budget target for the year was achieved. However recent developments in this area could affect the future income position and more details are provided on the revenue monitoring report elsewhere on the agenda.

Planning – Favourable variance £30,000

There was a significant adverse variance on planning income as a result of the recession and due to factors that are outside the Council's control. However these adverse variances have been more than offset by managed savings on staffing that have enable the division to achieve an overall small favourable variance.

Regeneration and Estates – Favourable variance £55,000

Commercial rent income improved from the mid year projections but the overall economic climate remains challenging. Officers continue to work hard to mitigate the position and are looking to manage the situation within the overall budget resources. Savings were generated most notably on the staffing side from the non filling of posts, external funding of posts and the lower than budgeted pay award.

Street Scene – Favourable variance £320,000

The division's financial performance has been excellent and a favourable variance has been achieved largely through staff savings including those from the pay award and efficiencies in terms of closer integration between Street Cleansing and Grounds Maintenance.

A budget realignment exercise is currently taking place within Street Scene to update financial management arrangements particularly as a result of the new Transfer Facility and closer working between Grounds Maintenance and Street Cleansing, which should produce savings. However there is also the potential for a reduction in external income levels from the County wide Waste Partnership Agreement and in other areas as a result of the recession. Consequently further work is required before an accurate assessment can be made of potential future budget savings.

Central budget items

This heading covers a range of corporate budgets including capital charges and treasury management. Interest rates have fallen significantly over the last 12 months and there has been a high level of uncertainty in the financial markets which has had an adverse impact on treasury management income. However treasury management performance continues to be strong given the market conditions and the target interest rate of 3 month LIBID has been exceeded.