



AGENDA ITEM: 12

CABINET: 13 September 2011

**EXECUTIVE OVERVIEW AND
SCRUTINY: 29 September 2011**

Report of: Director of People and Places

Relevant Head of Service: Borough Treasurer

Relevant Portfolio Holder: Councillor D. Westley

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SUBJECT: REVENUE OUTTURN

Wards affected: Borough wide

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 the proposed contributions to reserves set out in Appendix 2 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 Regular monitoring reports on the budget position have been produced during the course of the 2010-11 financial year, and this report draws together details of the final outturn position. 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.

- 4.2 The Council set a total GRA budget of £16.420m for this year. The previous budget monitoring forecast reported to Cabinet in March projected a favourable budget variance of £400,000 or 2.4% of this budget. The HRA was also expected to meet its budget target for the year.

5.0 GRA OUTTURN POSITION

- 5.1 The final outturn position shows an overall favourable variance of £520,000, which is equivalent to 3.2% of the total budget. This continues the track record of delivering outturn performance in line with the budget that has consistently been achieved by the Council in recent years. It also means that another year's successful performance has been achieved, which is a credit to the Council, given the very difficult financial climate that it is operating in. The delivery of this managed underspend has also provided funding, which was used to support the 2011-12 budget position.

- 5.2 The final outturn position shows an improvement of £120,000 compared to the previous projected outturn position of £400,000. This projected outturn position was calculated on a prudent basis and consequently the improvement at the year-end was not unexpected, and follows the pattern of previous years. It also reflects the fact that the Council budgeted for a 0.5% pay award in 2010-11, and it was only confirmed at a late stage that this provision would not be required.

- 5.3 There has been a significant saving achieved this year on travel concessions of £240,000 through more effective procurement and additional government grant funding. However the responsibility for travel concessions was transferred to the County Council in April 2011, and consequently this saving will not be repeated. If this one off factor is excluded then the underlying variance was £280,000 or 1.7% of the budget.

- 5.4 Some of the key features of the outturn position include:

- The active management of staffing levels combined with savings from deleting the posts of the Deputy Chief Executive and his Assistant have generated a significant saving on employee costs
- Income performance has generally been good with most services achieving their budget targets. While some areas have seen a dip in income (for example in treasury management as a result of the continued low level of interest rates) other areas have exceeded their budget targets (such as the CRA portfolio)

- 5.5 The outturn position for individual services is shown in Appendix 1, and shows that every division met its budget targets.

6.0 GRA RESERVES AND BALANCES

- 6.1 When the Council met in February 2011 it agreed to use £275,000 of the projected underspend for 2010-11 to support the budget for 2011-12. Consequently this leaves a balance of £245,000 (£520,000 outturn less

£275,000) to be allocated. Proposals on how this unallocated funding should be utilised are contained in Appendix 2, and Members are asked to consider and endorse these proposals.

- 6.2 The level of GRA balances at the year end was £1.149m, which is an adequate level given the Council's overall financial context and is in line with the Council's Reserves policy. There is also £1.755m set aside in the Restructuring Reserve to pay for future staff exit costs.

7.0 HOUSING REVENUE ACCOUNT

- 7.1 The Council set a gross expenditure budget for the Housing Revenue Account (HRA) of £21.078m in February 2010. In overall terms the Council has kept within this target and achieved its budget objectives over the course of the year.
- 7.2 Although slightly up on the previous year, Right to Buy sales of 18 has meant that Rental Income has remained relatively stable. It is worth noting that whilst the proceeds from these asset sales provide funding for the Capital Programme, these sales also result in reduced levels of income to the HRA.
- 7.3 During the course of the year there were a number of spending challenges on the budget, and details on these issues were provided to Cabinet in the quarterly monitoring reports. In particular, severe inclement weather over the last quarter resulted in a significant number of heating equipment failures and the demand for Disabled Adaptations was greater than forecast.
- 7.4 In discussions, tenants expressed the view that these issues should be key priorities for investment by the Council. To bridge the funding gap, capital works budgets were realigned and additional revenue support was provided from savings in the Repainting Programme, Repairs Contingency, and other miscellaneous HRA expenditure programmes without detriment to service provision.
- 7.5 When the Council set the budget for 2010-11 it approved the transfer of £290,000 from the Working Balance to support spending priorities. Consequently the level of HRA Working Balances has reduced by this amount over the year to £632,000 at the year end. This level of Working Balances continues to remain adequate for prudent financial management.

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.
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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

This report does not have any direct impact on members of the public, employees or elected members, and consequently an Equality Impact Assessment is not required.

Appendices

Appendix 1 – GRA Outturn Position

Appendix 2 – Proposed Use of Unallocated Underspend

APPENDIX 1 GRA OUTTURN POSITION

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Assistant Chief Executive	3,134	-260	-8.3%
Community Services	4,868	-185	-3.8%
Housing and Property Maintenance	1,529	-110	-7.2%
Legal, Democracy and Financial Mgt.	2,824	-100	-3.5%
Planning	1,953	-135	-6.9%
Regeneration and Estates	350	-280	See note
Street Scene	5,848	-285	-4.9%
Central Savings targets	-455	455	See note
Central Budget Items	-3,631	380	10.5%
TOTAL BUDGET REQUIREMENT	16,420	-520	-3.2%

NOTES

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 £16.420m.

The Regeneration and Estates division has a relatively small budget requirement because it contains the Community Related Assets portfolio, which generates a significant amount of external income.

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.

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 £260,000

There are a number of issues giving rise to the overall favourable position. The main saving made is in relation to Concessionary Travel, largely through lower reimbursement rates being paid to bus operators and additional grant funding. The other major variance for the division relates to savings on salary costs resulting from the active management of staff vacancies.

Benefits expenditure was higher than budget following the same pattern as last year. However additional grant was received to partially offset the increase and there was a higher than anticipated recovery of overpaid benefits.

Community Services – Favourable variance £185,000

The largest single contributory factor to the favourable variance was a managed saving on staffing.

Car park income from pay and display machines was on target. Income from fines was in excess of budget and reflects the increased level of enforcement now in operation. Income from regular and casual stallholders on Ormskirk Market was less than budget. The shortfall was due to the level of holidays, sickness and closures due to inclement weather.

There are a number of minor 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 £110,000

The active management of staffing levels and vacancies has generated a significant favourable budget variance within the division, and repairs and maintenance costs have also been effectively controlled.

However there are a number of adverse variances on utility costs, particularly in relation to water and electricity bills. There was also an adverse variance on the Home Loans scheme which was the subject of a report to Cabinet in March.

Legal Democracy and Financial Management – Favourable variance £100,000

The division has achieved an overall favourable variance through a number of different means including savings on extending our insurance contracts, reduced audit fees, lower pension costs, and managed staff savings. Income from Local Searches, which had been under pressure in previous years due to the difficult financial climate, has also stabilised and was just below its budget target for the year. A favourable variance was also achieved on Elections and Register of Electors.

There were also a range of savings made on Civic Administration expenditure during the year including Member Allowances, training, travel and IT costs.

Planning – Favourable variance £135,000

There is a small adverse variance on both development control and building control income as a result of the difficult economic climate and due to factors that are outside the Council's control. Both variances, however, are less than previously anticipated.

This adverse income variance is more than offset by managed savings on staffing and other savings that have enabled the division to achieve an overall favourable variance. Publicity was also less than anticipated due to works being carried forward into the new financial year and an additional grant being received at the end of the year.

Regeneration and Estates – Favourable variance £280,000

Although the economic climate has remained very challenging the Estates team have been working very hard to maintain occupation levels within the commercial assets portfolio and as a result exceeded budget targets. However, the Investment Centre occupation rates have decreased over the financial year which resulted in a loss for this ring fenced account.

Overall divisional performance has been very good as expenditure levels have been closely managed, and income levels have been exceeded, apart from the Investment Centre.

Street Scene – Favourable variance £285,000

The successful commissioning of the £3.5m waste transfer facility has allowed incremental improvements to operational arrangements, which are on-going. Costs and income levels have been closely monitored throughout the year resulting in an overall favourable variance. This includes a significant saving made on the management of staffing costs. However, there have been some cost and operational pressures, such as fuel increases, usage of vehicle hire as leases have expired in anticipation of the garage tender exercise, and severe winter weather conditions.

Central budget and savings 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.

Interest rates continue to remain at historically low levels and this has had an adverse impact on treasury management income. There have also been additional capital charges incurred in excess of the budget provision.

APPENDIX 2

PROPOSED USE OF UNALLOCATED UNDERSPEND FROM 2010-11

Housing and Property Maintenance

Carry forward unspent Home Improvement Agency funding of £25,700, which has been committed but not spent in the old year.

Planning

Carry forward £20,000 of unspent Habitat Survey grant funding to help meet the cost of habitat studies and other work required for the LDF.

Carry forward the unspent budget of £8,398 on LDF Publicity and Promotions to meet commitments on preparing the LDF, which were not able to be completed in the last financial year as a result of unavoidable delays.

Carry forward an unspent budget on LDF consultancy to meet commitments of £12,648 for work that was not able to be completed in the old year.

Regeneration and Estates

Cabinet agreed funding for a Temporary Marketing post in September 2010. However £20,710 of this funding had not been spent by the year end and it is requested that this be carried forward.

Provide funding of up to £50,000 for the development of an Asset Management Business Plan, which is the subject of a separate report elsewhere on this agenda.

Street Scene

Provide funding to complete CCTV coverage for the depot site. Given the assets on the site and following completion of the transfer facility, it would make good business sense to provide CCTV coverage for the remainder of the depot. This scheme would need to be properly costed but is not expected to be more than £50,000.

Corporate

Add remaining underspend to central contingencies to cover a range of items including potential increases in fuel and energy prices and any additional costs that may arise from the introduction of zoning changes in Street Scene. This could also support the income budget from the Property Based Payment Mechanism for Refuse and Recycling, which is likely to come under pressure in the future.