



AGENDA ITEM: 13

CABINET: 13th September 2011

**EXECUTIVE OVERVIEW AND
SCRUTINY: 29th 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 MONITORING

Wards affected: Borough wide

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 2011 the Council approved budgets for the Housing and General Revenue Accounts for the 2011-2012 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 difficult economic climate will undoubtedly cause pressures, and in particular may make income targets more difficult to achieve.

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. In recent years the level of the pay award has been the subject of lengthy national negotiations between the local government employers' organisation and unions, and consequently has been an area of uncertainty for budget monitoring. However this year the local government employers have already confirmed a pay freeze for all Council workers.
- 6.2 Negotiations between local government employers and unions are currently taking place in relation to pensions. At the request of the Secretary of State for Communities and Local Government, employers and union representatives have commenced discussions to consider how pension savings, equivalent to a 3.2% increase in employee contribution rates, could be achieved. The Government have stated their intention to begin a formal statutory consultation exercise by the end of September on this objective with any changes coming into effect from April 2012. Consequently while this will not be an issue that will affect budget monitoring in the current year, it could potentially have a budget impact in future years and so will need to be kept under review.

7.0 GENERAL REVENUE ACCOUNT (GRA) POSITION

- 7.1 The Council has set a revenue budget of £14.278m 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 in line with most other authorities.
- 7.2 In recent years an annual savings target for staff efficiencies of £250,000 has been included in the GRA budget. In addition this year a savings target of £350,000 was agreed for part year savings to be delivered by the Council's

Business Plan processes. Taken together this means that £600,000 of in year savings need to be generated to meet budget targets.

- 7.3 The decision taken by Council in July to approve a package of Major Service Review (MSR) proposals will deliver a significant element of the necessary savings. The majority of these proposals will be implemented in February 2012 – although the posts of the Chief Executive and his Executive Assistant will be deleted at the end of October. Consequently the MSR proposals will provide a part year saving in 2011-12 and a full year saving in 2012-13.
- 7.4 Similarly the decision taken by Council in July to approve a partnership agreement with the County Council and One Connect Limited will also contribute significantly to the savings targets. As this partnership is due to start on 1st October it should provide a half year saving in 2011-12 and a full year saving in 2012-13.
- 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 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.
- 7.6 The main exception to this position is in relation to the Investment Centre's income which is below budget at the current time. The Asset Management Business Plan report elsewhere on this agenda sets out more detail on this issue, and the additional costs on empty property business rates that are being incurred on vacant properties.
- 7.7 A statutory instrument to revoke the fee for personal searches of the Local Land Charges Register was made by the Government last year, and details of this issue were reported to Cabinet in November 2010. The Council may face potential liabilities as a result of this change in Government policy and consequently this issue will need to be kept under review.
- 7.8 A further spending pressure in the current year is likely to come from increasing fuel and energy costs. Price increases in these areas have been well publicised and there will inevitably be an impact on Council costs as a result.
- 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 £22.273m.
- 8.2 The approved budget assumed 16 Right To Buy Council House sales. In the last financial year house sales began slowly with the bulk of the sales occurring in the second half of the year. To date 3 properties have been sold in the current year, which more or less mirrors what happened last year. If this pattern remains the same there is every expectation that the rental income budget target will be achieved. Achieving fewer sales has a positive affect on HRA rental income but means that there are only limited capital receipts being generated that can be used for capital investment.
- 8.3 Day to Day Response Repair costs have been running ahead of budget in the year to date. However, successful tendering has generated saving which means that resources can be realigned to bridge this particular issue.
- 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 It is expected that the level of reserves will reduce over the course of the year. This partly reflects the budget that was agreed in February which included a contribution of £254,000 from the Budget and Efficiency Savings Reserve, and £347,000 from the LABGI Reserve. It also reflects the funding that will be required from the Restructuring Reserve of £1.083m to pay for the exit costs from the MSR initiative.
- 9.2 However the use of this reserve funding is part of the Council's medium term financial strategy, and the overall level of reserves and balances continues to be adequate for prudent financial management.

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

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

None