



AGENDA ITEM: 12

CABINET: 13 MARCH 2012

**EXECUTIVE OVERVIEW AND
SCRUTINY COMMITTEE: 29 MARCH
2012**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Relevant Portfolio Holder: Councillors D Westley and A Owens

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SUBJECT: REVENUE BUDGET MONITORING

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To provide a projection of the financial position on the General and Housing Revenue Accounts to the end of the financial year.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the financial position of the Revenue Accounts be considered and noted.
- 2.2 That call in is not appropriate for this item as it is to be submitted to the next meeting of the Executive Overview and Scrutiny Committee.

3.0 RECOMMENDATION TO EXECUTIVE OVERVIEW & 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. This is the third monitoring report for the year and is based on information available in January 2012.

5.0 GENERAL REVENUE ACCOUNT

- 5.1 The Council has set a revenue budget of £14.277m for the financial year. In total current projections forecast that net expenditure will be around £460,000 below this target, which represents a small variance of around 3.2%.
- 5.2 The projections have been calculated on a prudent basis, and consequently it can be confidently expected that the Council will achieve a surplus by the year end. This will continue our strong track record of managing our financial performance to ensure that the outturn position is in line with the budget.
- 5.3 The Council's Business Plan sets out a four-year process to save money and protect frontline services within a very challenging financial environment. As part of this process, the Budget that was agreed for this year included a target to save £350,000 through the different work streams set out in the Business Plan. Key elements of these work streams included the Major Service Review process and the setting up of a shared services arrangement for the delivery of Revenues, Benefits and IT Services with the County Council and One Connect Ltd.
- 5.4 Good progress has been made in delivering these initiatives and as a consequence the budget target for the year will be exceeded, as savings have been made faster and earlier than originally expected. In particular a half year saving of around £250,000 is projected from the commencement of the shared service arrangement from 1st October, and a further significant saving has been made from the departure of the Chief Executive part way through the year. Most staffing related Major Service Review savings will though be implemented from 1st March.
- 5.5 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. The budget contains a corporate target for staff efficiency savings of £280,000, and the active management of staffing levels will mean that this target will be exceeded, which is another key element in the overall favourable variance. These savings more than offset additional costs that have been incurred as a result of successful staff appeals against job evaluation scores.
- 5.6 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 at risk at the moment given the state of the economy. However at the current time income levels are performing close to budget in most areas. Income levels on the Community Related Assets portfolio though have already significantly exceeded the budget target for the year.

- 5.7 Since the economic downturn started there has been a considerable increase in benefits expenditure, which 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. However this position has stabilised this year and so is not expected to cause any significant additional spending pressures.
- 5.8 There are a number of spending pressures that have been identified in the current year that are expected to persist into the next financial year. This includes additional costs on fuel, and business rates for Council premises. These areas have been reviewed during the budget process for 2012-13 and budget targets adjusted to reflect anticipated future cost levels.
- 5.9 The mid-year monitoring report projected a favourable variance of £320,000, and consequently the latest projection of £460,000 represents an improved financial position. This improved position reflects a number of different factors and in particular better than expected performance on income levels. There was also a financial saving as a result of the industrial action that took place, which was not included in the mid year projections.
- 5.10 The Appendix to this report provides further details on the performance of individual service areas.

6.0 HOUSING REVENUE ACCOUNT

- 6.1 The Council set a gross budget for the Housing Revenue Account (HRA) of £22.273m. While there are a number of spending pressures and savings on the HRA budget, current projections indicate that the bottom line target will be achieved at the year end.
- 6.2 The main HRA income source is rental income. Council house Right to buy sales have continued to remain low and this has helped to stabilise rental income. A change in accounting practice agreed with our External Auditors will also result in increased income for the year.
- 6.3 Additionally, the Council has been successful in achieving a HRA subsidy rebate of £288,000. This funding has been used to increase the investment in the capital programme and to create an Estate Remodelling Reserve for the former New Town at Skelmersdale.
- 6.4 During the second half of the year there has been significant spending on void repairs. This will mean that the budgeted level of spending will be exceeded but has meant that there has been a reduction in the amount of time properties remained void. The Council is now hitting top quartile performance in this area of the business and has reduced re-let times, which in turn will increase future rental income to the HRA.

7.0 RESERVES AND BALANCES

- 7.1 The Council is facing a challenging medium term financial position as are all other local authorities. However the GRA has an adequate level of reserves which will enable it to deal with these challenges effectively, and the District Auditor has assessed that these reserves are at a prudent level. The Council has also recently agreed a new reserves policy at its February meeting.
- 7.2 When the HRA budget for 2011-12 was approved it was agreed that £132,000 would be taken from reserves and balances to support it. The overall level of reserves remains adequate though even after this contribution has been taken into account.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

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.
- 9.2 The projected variances contained in this report reflect current estimates of the likely difference between spending / income and budget for the full financial year. These estimates are based on current data and are subject to change during the remainder of the year as new information becomes available.

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

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – General Revenue Account Projected Outturn Position

APPENDIX 1

GENERAL REVENUE ACCOUNT PROJECTED OUTTURN POSITION

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Community Services	4,666	-140	-3.0%
Corporate Services			
- Borough Solicitor	1,328	-50	-3.8%
- Borough Treasurer	1,307	-45	-3.4%
- Transformation Manager	1,625	-80	-4.9%
Housing and Regeneration	463	-225	See note
Planning Services	1,891	-130	-6.9%
Street Scene	5,824	-215	-3.7%
Central Savings Items	-280	280	See note
Central Budget Items	-2,547	145	5.7%
TOTAL BUDGET REQUIREMENT	14,277	-460	-3.2%

Table Notes

The budget figures for each Service have been updated to include capital accounting adjustments and the allocation of central budget items to services. These are technical accounting adjustments that do not affect the bottom line budget requirement, which has remained unchanged during the year at £14.277m.

Housing and Regeneration has a relatively small net budget requirement because it contains Property Services which is a support service that recharges most of its costs to other services, and also the Community Related Assets portfolio, which generates a significant amount of external income.

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.

Community Services – Favourable variance £140,000

There is projected to be a significant favourable variance for the Service with the largest single contributory factor being managed savings on staffing.

Licencing income is currently in excess of the budget and a favourable variance is anticipated at the year end.

Car park income is currently below target with an anticipated minor adverse variance by the year end. This follows a similar pattern to previous years whereby an increase in the level of charges results in some initial resistance. As the year progresses this

resistance tends to reduce. The number of Bank Holidays early in the year has also had an adverse effect. Income from fines is anticipated to be in excess of budget and should more than compensate for the shortfall in income from car park charges. The additional income from fines reflects the increased level of enforcement now in operation.

Income from regular stallholders on the Ormskirk Market is currently below budget, however income from casual stallholders is slightly higher. As in previous years, the possibility of inclement weather during the winter months may well adversely affect future income levels, but to date this has not been a major factor.

It is anticipated that the decision by DCT Leisure Ltd to terminate their agreement at the Golf Centre, with effect from 31/12/11, will result in both a loss of income and the incurring of additional costs during the remaining 3 months of this financial year.

Within Private Sector Housing an overall balanced budget position should be achieved after allowing for additional expenditure on the Home Loans scheme, which is an issue that has been previously reported to Members. Income performance on the Lifeline Scheme is significantly in excess of the budget target and reflects a recent expansion of activity. This financial position is being considered in more detail as part of the process of drawing up a business plan for this service area.

Borough Solicitor – Favourable variance £50,000

Income from Local Searches is currently performing slightly below the budget target as a result of a combination of market factors and a Government decision to revoke the fee for personal searches of the Local Land Charges Register. However there are a number of savings that are being made on other budget headings which should ensure that the service has an overall favourable variance, including a saving on Election costs.

Borough Treasurer – Favourable variance £45,000

Staffing and other budgets are being effectively controlled which should result in a favourable variance being delivered over the course of the year. This includes savings through reduced external audit fees and lower pension costs.

Transformation Manager – Favourable variance £80,000

There are a number of issues giving rise to the overall favourable variance. One of the main areas relates to savings on staffing costs resulting from the active management of staffing levels. There are also a range of savings on other budgets, including a higher than anticipated recovery of legal costs.

Housing and Regeneration – Favourable variance £225,000

The active management of staffing levels and non staffing budgets has generated a significant favourable variance within the Service, and income targets have also been exceeded.

Within Property Services, repairs and maintenance costs are being effectively controlled. However there are a number of adverse variances on utility costs, particularly in relation to water bills.

The difficult economic climate is proving challenging, however the Commercial Assets portfolio is proving resilient with income levels exceeding budget targets. There are

though a number of empty units and as a result the empty rates liability is above budget levels.

The Investment Centre account will produce a significant loss this financial year, estimated at around £145,000. However as this is a ring fenced account it will not have a direct impact on the GRA budget position. As previously agreed by Cabinet, consultants are now reviewing all of the Council's commercial assets, including the Investment Centre, and the results of this work will be reported in due course.

Planning Services – Favourable variance £130,000

As a result of some major planning applications, the projected adverse variance on development control income looks to have been averted and the new charges for pre-application fees continue to be above the target. Income on building control, however, is below budget and is predicting an adverse variance. In overall terms though, income is performing in line with the same point last year.

The projected adverse variance on income is being more than offset by significant managed savings on staffing and supplies and services that will enable the Service to achieve an overall favourable variance.

Street Scene – Favourable variance £215,000

New working practices introduced over the last year have resulted in operational efficiencies and as such employee overtime and agency costs have much reduced. There are still cost pressures that remain in some areas, namely fuel, which has previously been reported, and some additional hire costs associated with the transport vehicle hire with maintenance tender exercise currently being concluded.

Action has been formulated in implementing the significant Major Service Review savings the Service identified for this and the next financial year, and good progress is being made.

Central Savings and Budget Items

This heading covers a range of corporate budgets including savings targets, treasury management, and capital charges. Central savings targets for staff and other efficiency improvements are all held in this area. The actual savings that are made in relation to these items are contained within Services. Consequently savings made elsewhere will help to offset the adverse variances on these budget items.