



**AGENDA ITEM: 9**

**CABINET: 12 November 2013**

**EXECUTIVE OVERVIEW AND  
SCRUTINY COMMITTEE:  
28 November 2013**

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**Report of: Borough Treasurer**

**Relevant Managing Director: Managing Director (People and Places)**

**Relevant Portfolio Holder: Councillors D Westley & Councillor A. Owens**

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**SUBJECT: REVENUE BUDGET MID YEAR REVIEW**

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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 noted including the position on reserves and balances.
- 2.2 That call-in is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 28<sup>th</sup> November 2013.

**3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

- 3.1 That the financial position of the Revenue Accounts be noted.
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## **4.0 BACKGROUND**

- 4.1 In February the Council approved budgets for the Housing and General Revenue Accounts for the current financial year. It is good practice that monitoring reports are produced on a regular basis to ensure that Members are kept informed of the position of these accounts and of any significant financial issues. This is the second monitoring report for the year and is based on information available in October 2013.

## **5.0 GENERAL REVENUE ACCOUNT**

- 5.1 The Council has set a net revenue budget of £13.972m for the year. In total, current projections forecast that net expenditure will be £435,000 below this target, which represents a favourable variance of 3.1% against budget. The projections have been calculated on a prudent basis and experience from past years suggests that the overall position may improve further over the remainder of the year. The Appendix to this report provides further details on the performance of individual service areas.
- 5.2 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 range of savings measures including £0.5m through the Major Service Review (MSR) process. While a number of these initiatives have been delayed, the majority have been delivered on time or ahead of schedule, and as a consequence the MSR savings target should be exceeded.
- 5.3 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 should be achieved by the year end.
- 5.4 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. However at the current time, while there is some variation in certain areas, income levels are generally in line with budget targets.
- 5.5 There are a number of services where income is currently performing below the budget target including Car Parks pay and display income and Market rents. However these variances are not significant in the context of the Council's overall financial position, and consequently external income levels in general are currently satisfactory.
- 5.6 There remain a number of risk areas within the budget where there is uncertainty at the current time. These areas include Pension Auto Enrolment, Individual Electoral Registration, the impact of Benefit Reform and legal challenges

concerning Local Search income in previous years. These areas will continue to be closely monitored.

- 5.7 The strong financial performance that was delivered in 2012-13 has been carried forward into the current year and 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 financial performance to meet budget targets. It is intended that this funding will be used for a range of matters including the potential requirements of: the ICT strategy that is being developed, additional investment in the Moor Street project, the Economic Development Strategy, and Skelmersdale Town Centre Environmental Improvements. Consideration will be given to these and any other items that are identified and firm proposals reported back to Members in due course.
- 5.8 Where financial issues have been identified through the mid-year review process, and are expected to persist, they will be given further consideration through the budget setting process for 2014-15.

## **6.0 HOUSING REVENUE ACCOUNT (HRA)**

- 6.1 The Council approved an external income budget for the HRA of £25.141m for this financial year. Right to Buy sales and void rates heavily influence the amount of income generated and these have caused a number of significant adverse impacts to date.
- 6.2 There were 20 Right to buy Sales allowed for when the budget was set, which was in line with recent trends. However due to government changes on the maximum discount allowable and the increased availability of mortgages, the number of sales at the mid year point has already exceeded the target for the year. While this has the effect of reducing HRA income it does however increase the available receipts for capital investment.
- 6.3 In respect of voids, there have been a number of issues that have impacted on void levels and turnaround in the first half of the year. A decision was taken to improve the standard of kitchens in void properties to bring them into line with those properties being improved within the capital investment programme (where required). While this is a positive new development, it has taken some time to introduce this approach and a number of problems have been encountered. An improvement plan has now been established to resolve these matters and void levels should reduce accordingly in the second half of the year. In addition, several voids have required significant structural works that has also had an adverse impact.
- 6.4 On the positive side, the active management of staffing levels combined with the higher level of professional fees being charged through to the much increased capital programme will ensure a significant favourable budget variance this year. Expenditure in other areas is being effectively controlled, and while there are a range of variances across different budget areas, there is a favourable bottom

line position. This has enabled a £10,000 budget to be allocated towards extra maintenance on garages, which will enable an assessment to be made on how much difference this extra maintenance could have on demand rates. The latest projected outturn figures forecast an overall favourable budget variance of £150,000 although there is still scope for further change to take place over the remainder of the year.

- 6.5 The District Wide Heating Service is a ring fenced account that must break even over the medium term without being subsidised, or in other words the charges for this service must cover its costs. This Service operated at a loss in 2012-13, which was met from the Heating Charges Reserve. It is expected that this reserve will need to be used again to meet a loss in the current year. Consequently consideration will need to be given to how and when charges should be increased to ensure that the Service achieves a break even position over the medium term.

## **7.0 RESERVES AND BALANCES**

- 7.1 The Council is facing a difficult medium term financial position as are all other local authorities. However the latest financial resilience report from our External Auditors shows that the Council has a prudent level of reserves and balances that is comparable to similar authorities.
- 7.2 Further consideration will be given to this area as part of the process for drawing up the Reserves policy, which will be included in the Budget report to Council next February.

## **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 or income and budget for the full financial year. These estimates are based on current data and are subject to change as new information becomes available, and in particular external income levels can be volatile.
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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**

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 2 - Minute of Landlord Services Committee Cabinet Working Group 6  
November 2013 (to follow)

**APPENDIX 1  
GENERAL REVENUE ACCOUNT PROJECTED OUTTURN POSITION**

Budget area	Net Budget £000	Variance from Budget £000	Variance %
Community Services	4,598	-70	-1.5%
Corporate Services			
- Borough Solicitor	1,198	-35	-2.9%
- Borough Treasurer	1,104	-35	-3.2%
- Transformation Manager	1,750	-30	-1.7%
Housing and Regeneration	332	-160	See note
Planning Services	1,525	-120	-7.9%
Street Scene	5,017	-75	-1.5%
Service Total	15,524	-525	-3.4%
Central Budget Items	-88	135	See note
Non Service Items	-1,465	-45	-3.1%
<b>TOTAL BUDGET REQUIREMENT</b>	<b>13,971</b>	<b>-435</b>	<b>-3.1%</b>

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 £13.971m.

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 £70,000

The financial performance of the Service is progressing well with the largest single contributory factor being managed savings on staffing. The bottom line projection for the Service is to achieve a favourable budget variance of £70,000 at the year end.

Income performance is generally good but with a number of variances. Licensing income is forecast to perform better than budget, while Pay and display income is currently below budget although this will be largely mitigated by additional income from penalty charge notices. Market income levels are currently below target, as they were last year, although the market is still expected to achieve an overall surplus. The lifeline service is progressing in line with budget targets, and this area will be reviewed in detail as part of the process for developing its business plan.

#### Borough Solicitor – Favourable variance £35,000

Income from Local Searches is currently performing slightly above the budget target to date, and there has also been a substantial amount of Legal Costs recovered. Expenditure is being effectively controlled and there are savings in a range of areas including Civic Admin and Supplies and Services. When all of these factors are combined it should ensure that the service has an overall favourable variance.

#### Borough Treasurer – Favourable variance £35,000

The new insurance contract will deliver a 12% reduction in cost while maintaining the same level of cover, and Council have previously agreed that this saving should be used to help finance the new Blue Wheelie Bin scheme.

Staffing and other costs are being effectively managed and controlled, and this should result in an overall favourable variance being delivered over the course of the year.

#### Transformation Manager – Favourable variance £30,000

There is a small favourable budget variance on salary costs across the Service, as well as a range of minor savings on other budget headings that have contributed to the overall positive financial performance. The level of Benefits payments will be kept under review as this is a demand led area that is not under the direct control of the Council.

#### Housing and Regeneration – Favourable variance £160,000

The restructuring of the Housing and Regeneration service has enabled a £60,000 saving to be made this year as previously reported in the MSR report to Council in July. There are a range of other staffing savings also being made particularly in Regeneration and Estates.

The external income being generated on the Commercial Assets Portfolio continues to hold up well in the difficult financial climate. The Investment Centre ring fenced account is expected to outturn better than the budget, although an overall loss is still expected. In line with standard business practice, the method for calculating service charges at the Investment Centre is being amended to include cover for a repairs and maintenance sinking fund in order to ensure that future maintenance requirements can be met. Meanwhile the Langtree ring fenced trading account is forecast to generate its best income levels for a number of years.

The Property Services forecast is for expenditure to match the budget for the year i.e. a budget neutral position. There are a number of spending pressures on utilities including water, gas and electricity. However tight control of other budget lines, notably repairs and maintenance, should assist in mitigating these cost pressures, to enable an overall budget neutral position to be achieved.

#### Planning Services – Favourable variance £120,000

Planning Application Fees and Pre-Application Advice charges are currently performing well above their targets at the mid-year point. This additional income will be sufficient to fund the 2 year fixed term graduate post that was approved at the last Cabinet meeting in September. Building Control income is also now performing in line with its target and there are additional payments due for the Housing survey works that were negotiated towards the end of the last financial year. While this increase in income has been a significant contributor to the projected favourable variance, it should be borne in mind that this income is demand led and volatile.

Savings have also been achieved through strict management of staffing and supplies and services ahead of the implementation of the recently approved Organisational Re-engineering of Planning Services and the continuing Major Services Review.

#### Street Scene – Favourable variance £75,000

The service is expected to achieve a favourable budget variance of £75,000 by the year end, mainly as a result of savings being generated on a range of non salary budget headings.

The budget that was set for this year included £200,000 of budget streamlining savings and these are being delivered. The new arrangements with the vehicle transport contract are progressing well. This has resulted in new vehicles becoming operational, which has afforded efficiencies on hire costs and facilitated new work arrangements. The fuel budget is on target and there has been a reduction in fuel consumption.

#### Central Budget and Non Service Items

This heading covers a range of corporate budgets including savings targets, treasury management, and capital charges. Central savings targets for staff efficiency improvements are 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.