



## **AGENDA ITEM: 11**

**CABINET: 17<sup>th</sup> March 2015**

**EXECUTIVE OVERVIEW AND  
SCRUTINY: 1<sup>st</sup> April 2015**

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**Report of: Borough Treasurer**

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

**Relevant Portfolio Holder: Councillor D. Whittington**

**Contact: Marc Taylor (Extn. 5092)  
(E-mail: Marc.Taylor@westlancs.gov.uk)**

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### **SUBJECT: REVENUE BUDGET MONITORING**

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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 Revenue Account (GRA) to the end of the financial year.

#### **2.0 RECOMMENDATIONS TO CABINET**

2.1 That the financial position of the GRA 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 1<sup>st</sup> April 2015.

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

3.1 That the financial position of the GRA be noted.

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## **4.0 BACKGROUND**

- 4.1 In February 2014 the Council approved budgets for the GRA for the 2014-2015 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 this account. This is the third quarter monitoring report and is based on information available in January 2015.

## **5.0 GENERAL REVENUE ACCOUNT**

- 5.1 The Council has set a revenue budget of £13.898m for the financial year. The mid-year monitoring report projected an overall favourable variance of £740,000 or 5.3% against this budget. The latest third quarter monitoring figures now project an improvement of £150,000 on this position, and forecast an updated total budget variance of £890,000.
- 5.2 At its meeting in February, Council agreed to use this favourable variance to provide financial support for the budget for 2015-16, as part of the Budget Requirement Report. This means that this budget variance has now been fully allocated.
- 5.3 The projections have been calculated on a prudent basis, and consequently it can be confidently expected that the Council will achieve these budget figures. This will continue our strong track record of managing our financial performance to ensure that the outturn position is in line with the budget. The Appendix to this report provides details on the performance of individual service areas within the GRA.
- 5.4 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. While the national pay award for different grades of staff varied (with lower paid staff receiving larger increases) the average pay increase was around 1%, which was in line with budget forecasts. The budget also 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 and exceeded by the year end.
- 5.5 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 year income levels are generally in line or performing better than the budget targets, which reflects an improvement in the overall state of the economy.
- 5.6 There are a number of services where income is currently performing below the budget target including Car Parks and Building Control. However these variances are not significant in the context of the Council's overall financial position. More importantly there are a number of areas where income is performing well above the budget target, in particular in relation to Planning application fees and income from Commercial Assets. Consequently in overall terms external income levels are performing well.

5.7 The Major Service Review report to December Council agreed £645,000 of Base Budget Review savings, where budget targets were reviewed and realigned to ensure they were adequate but not excessive and reflected recent financial performance. This latest set of financial performance figures confirms that these Base Budget Review savings should be achievable, and the final outturn position will be reviewed to check whether any further savings of this type can be identified.

## **6.0 RESERVES AND BALANCES**

6.1 The Council agreed an updated Reserves Policy at its meeting in February. This Policy has taken various factors into account including the difficult medium term financial position facing the Council as a result of an ongoing series of reductions in its grant funding. Consequently the GRA will continue to have an adequate level of reserves in place that should enable it to deal with its financial challenges effectively.

## **7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

7.1 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.

## **8.0 RISK ASSESSMENT**

8.1 The formal reporting of performance on the General Revenue Account 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**

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 Cabinet (Executive Overview and Scrutiny Committee only)

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

| Budget area                               | Net Budget<br>£000 | Variance from Budget<br>£000 | Variance<br>% |
|---|--------------------|------------------------------|---------------|
| Community Services                        | 4,501              | -100                         | -2.2%         |
| Corporate Services                        |                    |                              |               |
| - Borough Solicitor                       | 1,125              | -85                          | -7.6%         |
| - Borough Treasurer                       | 1,637              | -90                          | -5.5%         |
| - Transformation Manager                  | 1,635              | -200                         | -12.2%        |
| Housing and Regeneration                  | 187                | -185                         | See note      |
| Planning Services                         | 1,466              | -320                         | -21.8%        |
| Street Scene                              | 4,923              | -130                         | -2.6%         |
| Central Budget Items                      | -122               | 305                          | See note      |
| Non Service Items                         | -1,454             | -85                          | -5.8%         |
| Allocations agreed by Council in February |                    | 890                          | Para 5.2      |
| <b>TOTAL BUDGET REQUIREMENT</b>           | <b>13,898</b>      | <b>0</b>                     | <b>0.0%</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 £13.898m.

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 £100,000

An overall favourable variance of £100,000 is anticipated across this service area. Salary expenditure is being incurred within the budget estimates and income performance has generally been good although with a number of adverse variances including car parking.

The Home Care Link trading account is performing satisfactorily, and any surplus at the year end will be transferred to the Home Care Link reserve, for future use in line with the reserves policy.

#### Borough Solicitor – Favourable variance £85,000

Income from Local Searches is currently performing 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 Elections, 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 £90,000

There have been savings on employee costs as a result of a number of vacant posts during the year, which will help to contribute towards the corporate target for staff efficiency savings. There have also been savings on external audit costs, pensions, and supplies and services which will ensure that an overall favourable budget variance is delivered over the course of the year.

#### Transformation Manager – Favourable variance £200,000

There is a favourable budget variance on salary costs across the Service, as well as a range of minor savings on other expenditure headings that have contributed to the overall positive financial position. Income performance has significantly exceeded budget targets in a range of areas including Legal Costs Recovered on Council Tax and recovery of Housing Benefit Overpayments. In addition while the level of Benefits payments is a demand led area that is not under the direct control of the Council, it is expected that a favourable variance will also be achieved in this area in line with the findings of the Base Budget Review.

#### Housing and Regeneration – Favourable variance £185,000

Regeneration and Estates is forecast to achieve a significant favourable variance. The main reason for this position is higher occupancy levels of our commercial assets, which has resulted in improved income levels being achieved and a reduction in the cost of empty business rates liabilities. The Investment Centre's financial performance has also improved and it is now expected to make a modest surplus for the first time in a number of years.

Property Services is also forecast to achieve a favourable budget variance for the year. Two of the main contributors to this position are staff savings from a vacant post in the earlier part of the year, and extra income being achieved through the renting of garage facilities to an outside contractor. There are a number of variances on the utilities, cleaning, and repairs and maintenance lines of expenditure however they are within tolerance limits for the whole account.

#### Planning Services – Favourable variance £320,000

Planning Application Fees and Pre-Application Advice charges continue to perform well above their targets. Building Control income, however, continues to perform under its target and there has been no uptake on the LABC income generating Scheme. While the 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.

There will be a favourable budget variance on employee costs and savings have also been achieved through the strict management of supplies and services following the implementation of the recent Organisational Re-engineering of Planning Services and the continuing Major Services Review.

### Street Scene – Favourable variance £130,000

The Street Scene service area has implemented the blue bin recycling collection regime this year, which has resulted in a more stream lined workflow, although there are some cost pressures on the staffing budgets. Fuel prices have reduced over the course of the year and the operation around the vehicle maintenance section has realised some savings. These factors coupled with other non–staff cost savings will produce an overall favourable budget variance.

### 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 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.