



COUNCIL: 11 December 2019

Report of: Head of Finance, Procurement and Commercial Property

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SUBJECT: GENERAL REVENUE ACCOUNT BUDGET UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide an update of the General Revenue Account (GRA) budget position for the current year and issues for the next financial year.

2.0 RECOMMENDATIONS

- 2.1 That the financial position of the GRA be noted including the position on reserves and balances.
- 2.2 That the projected level of exit costs arising from the SORP be noted and that the costs of HRA staff are met from the projected favourable HRA budget variance in the current year and the costs of GRA staff are met from available capital receipts.
- 2.3 That the proposed costs to buy in additional consultancy support to enable work to continue on implementing the Sustainable Organisation Review Project (SORP) be noted.
- 2.4 That the existing Council Tax Support Scheme be continued for the next financial year.
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3.0 BACKGROUND

- 3.1 The GRA is facing a challenging financial position primarily as a result of ongoing reductions in government grant funding. This position is being addressed over a medium term timescale primarily through the SORP process that was agreed at the Council meeting in July 2019. The effective implementation of the SORP measures will be a key factor in ensuring that the GRA maintains a healthy financial position.

4.0 CURRENT YEAR POSITION

- 4.1 The Council has set a revenue budget of £12.855m for the current financial year. The mid-year review has identified that good progress is being made in delivering this budget position and that this target should be achieved at 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.
- 4.2 Employee costs form a significant proportion of the Council's total budget and consequently are very important from a budget management perspective. The active management of staffing levels is ensuring that employee costs are being effectively controlled and a favourable budget variance is expected in this area.
- 4.3 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 are performing better than the budget targets, and in particular a high level of CIL funding is being received.
- 4.4 The purpose of the SORP was to undertake a significant review of the Council's operating model, and to identify opportunities for further efficiency and income generation to ensure the Council can continue to deliver its vision and priorities. A set of SORP proposals was agreed for implementation earlier this year. These proposals included the adoption of a new management structure which was put into place on 4th November. This new structure included the voluntary redundancy of the Chief Executive, Director of Development and Regeneration and the Borough Solicitor, which will deliver significant savings. As the SORP is currently being implemented it is not possible to quantify what level of savings and income will be delivered against the budget target for the year of £0.320m, but good progress is currently being made and in particular the new staffing structure should be fully implemented by April 2020.
- 4.5 The latest estimates of the staffing impact of the SORP are that there will be 26 voluntary redundancies by the end of the financial year, while 7 staff remain at risk of compulsory redundancy. The total exit cost of these redundancies would be £2.384m, and it is proposed that the exit costs of HRA staff of £0.213m are funded from the projected favourable HRA budget variance in the current year, and the balance of the exit costs of £2.171m for GRA staff are funded from available capital receipts. The exit costs, which comprise redundancy payments paid to staff and pension strain costs paid to the Pension Fund, have been calculated in line with normal Council policy. The Council's pay policy statement requires separate disclosure of exit costs of over £100,000 for individual members of staff and these are set out in the Appendix.

5.0 RESERVES AND BALANCES

- 5.1 The Council agreed its annual Reserves Policy at its meeting in February. The Reserves Policy has taken various factors into account including the difficult medium term financial position facing the Council. 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.
- 5.2 The remaining balance on the SORP / Policy Options reserve is £0.453m after allowing for expenditure and commitments already incurred in the year. This reserve can be used to support the development and implementation of the SORP process, including providing funding to implement proposals and project resourcing, covering additional unexpected costs and delays in implementation.
- 5.3 The SORP contract that was agreed with Red Quadrant had 2 elements. Lot 1 was concerned with delivering the review that was reported to Council in July 2019. Lot 2 was then concerned with additional services to be bought in to assist with implementing the proposals, and it is intended that up to £180,000 will be used for this purpose. The additional services that will be bought in could include drawing up a new Organisational Development Strategy, assisting with detailed process reviews in a range of different service areas, reviewing accommodation requirements and helping to implement the new ICT Target Operating Model. The cost of this work will be met 80% from the SORP reserve and 20% from HRA resources in line with the previously agreed approach.

6.0 LOCAL COUNCIL TAX SUPPORT SCHEME

- 6.1 The Government abolished the national scheme of Council Tax Benefit with effect from April 2013 and now requires that local authorities put in place a local Council Tax Reduction Scheme, more commonly known as a Council Tax Support (CTS) scheme. This requires each Council tax billing authority to design its own scheme to administer Council Tax Support, working within a framework set out in legislation. Each financial year the Council must consider whether to revise its existing scheme or replace it with another scheme. If it chooses to revise its existing scheme, or replace that scheme with another scheme, it must do so no later than 31 January in the financial year preceding the financial year the scheme is to have effect.
- 6.2 The Council agreed its local CTS scheme in December 2012, and this scheme has been in operation since that time. The main feature of this scheme is that it calculates CTS in line with the previous Council Tax Benefit system but then applies a percentage reduction of 22% for claimants of working age, which was designed to reflect the reduction in government funding for CTS. Full details on the scheme can be found on the Council's website using the following link:
- <https://www.westlincs.gov.uk/bills-benefits/benefits/council-tax-support.aspx>
- 6.3 The CTS scheme complies with statutory requirements and operates in an effective manner, and consequently no revisions are proposed to this scheme for the next financial year. Any values in the scheme will though be updated to reflect

changes in national benefit figures in line with our standard practices.

7.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 7.1 The Local Government Finance Settlement (which details levels of grant funding and other important financial details for Councils) is normally announced by the Government in late November or early December each year. At the time of writing this report it was not known when the settlement for 2020-21 would be announced, and consequently an analysis of its financial consequences will be circulated to Members by email in due course.

8.0 SUSTAINABILITY IMPLICATIONS

- 8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

9.0 RISK ASSESSMENT

- 9.1 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.

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 – Staff Exit Costs over £100,000 arising from the SORP

APPENDIX - STAFF EXIT COSTS OF OVER £100,000 ARISING FROM THE SORP

Post	Exit Costs
Chief Executive	£0.327m
Borough Solicitor	£0.241m
Heritage and Environment Manager	£0.180m
Deputy Director of Street Scene	£0.172m
Purchasing and Land Charges Manager	£0.157m
Director of Development and Regeneration	£0.155m
Principal Accountant	£0.125m
Assistant Contact Centre Manager	£0.106m