

Revenue Monitoring Report 2023/24 – Quarter 1 (to 30 June 2023)

REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
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PURPOSE

1. To report the forecast outturn position for the year ending 31 March 2024 based upon actual spending and income to 30 June 2023.
2. Members are asked to note the financial impact of the ongoing cost-of-living crisis as can be seen in paragraph 5. In view of the current economic challenges, forecasts remain under review and are subject to change as the impact on the economy unfolds. Updates will be provided to Members through the established quarterly budget monitoring process.

RECOMMENDATION

3. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of a net overspend of £243k, as summarised in table 1 and detailed in Appendix 1, which is expected to break even by the end of the financial year.

The Executive is also asked to seek approval from Full Council for:

- b. The latest revised net budget of **£16.267m** as shown in Table 1, and
- c. The net transfers from earmarked reserves of **£4.972m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2023/24 as part of the effective governance of the Council and to ensure that appropriate management action is taken to ensure a balanced financial position.

SUMMARY OF KEY POINTS

5. Financial Impact of the cost-of-living crisis

Sustained inflation above the Bank of England's target of 2%, continues to have an impact on the Council's budget monitoring position, both in respect of increased costs and potential reduction in income receivable from residents for fees and charges, given the inevitable 'squeeze' on disposable incomes.

Members will recall that the Covid-19 Reserve was redesignated the Cost of Living Crisis Reserve to recognise the ongoing financial challenges for both residents and the borough associated with the rising 'Cost of Living'. The sum of £0.616m remains in this reserve and has been set aside to meet these challenges.

The Council has also set aside sums specifically to manage continued volatility in the energy markets, with the balance of £0.260m brought forward from 2022/23 committed in 2023/24, details of which are included at Appendix 2.

At the time of this report, the pay award for 2023/24 has not yet been agreed and this remains an outstanding risk relative to estimates included within the original, approved budget.

6. Revenue Budget Monitoring Process

All budget holders are required to review their budgets on a monthly basis.

Three in-year reports on revenue budget monitoring are presented to the Executive and Scrutiny Committee during the course of the financial year. This is the first in-year report for 2023/24. In addition to these three reports there is a final report for revenue to consider the actual spending at the end of the financial year compared with the revised revenue budget. Under the scheme of delegation each budget area is delegated to a Head of Service who remains accountable for the effective discharge of financial management as an integral part of achieving strategic objectives and in turn meeting service delivery priorities.

As part of the quarterly monitoring cycle, all Heads of Service are asked to consider their budgets and provide information and details of any actual or anticipated significant variations between spending / income and budgets.

7. Budget Changes

Since the budget was approved in February 2023, the following proposed budget changes have been made and are shown in Appendix 1:

- Virements approved by Heads of Service and Management Team.
- Decisions confirming additional awards of grant and contributions up to £50k approved by Heads of Service and Management Team.
- Transfers to/from Earmarked Reserves in respect of grants/contributions and also approved carry forwards from 2022/23 (Appendix 2).

Members are asked to approve the latest revised net budget of £16.267m as shown in Table 1.

8. Revenue Budget Summary

Table 1 shows a summary by service area of the revised budget for the year along with the current forecast as at the end of Q1 and the anticipated variance.

On current projections the net revenue budget is forecast to be exceeded by £243k, details of which are also included at section 11, 'Service Reports'.

Due to the continuing uncertainty around the potential impact of the cost of living crisis on the Council's approved budgets, forecast reductions in income and increases in expenditure remain subject to change as the year progresses. The net budget forecast at Quarter 1 of a £243k year-end deficit is based upon the latest estimates of income and expenditure.

Table 1: Revenue Budget Forecast Position 2023/24

	Quarter 1			
	NET BUDGET	REVISED BUDGET	FORECAST	VARIANCE
	2023/24 £000s	2023/24 £000s	Q1 £000s	Q1 £000s
Economy and Growth	711	961	1,017	56
Policy and Engagement	510	880	880	0
Management Team	394	394	394	0
Sport and Culture Leisure Client	1,270	1,270	1,270	0
Green Spaces and Amenities	1,376	1,497	1,496	(1)
Streetscene	3,346	3,448	3,488	40
Housing and Development Control	1,036	1,146	1,146	0
Strategic Partnership	4,205	4,217	4,217	0
Finance and Property	(1,343)	(298)	(298)	0
Revenues and Benefits Client	(1,158)	(1,138)	(1,138)	0
Legal and Democratic Services	1,273	1,428	1,428	0
People and Development	234	242	242	0
Central Budgets - Other	906	1,154	1,154	0
Central Budgets - Savings Targets	(248)	(248)	0	248
NET SERVICE BUDGET	12,512	14,953	15,296	343
Pensions	486	486	486	0
Parish Precepts	173	173	173	0
Treasury Investments & Borrowing	1,516	1,516	1,416	(100)
Capital Financing	1,951	4,111	4,111	0
Earmarked Reserves	(361)	(4,619)	(4,619)	0
Strategic Reserves	(10)	(353)	(353)	0
NET CORPORATE ITEMS	3,755	1,314	1,214	(100)
Council Tax	(7,724)	(7,724)	(7,724)	0
Council Tax - Parish Precepts	(173)	(173)	(173)	0
Business Rates: Retained Income	(5,950)	(5,950)	(5,950)	0
Business Rates: S31 Grants	(754)	(754)	(754)	0
Prior Year Collection Fund (Surplus)/Deficit	1,208	1,208	1,208	0
Revenue support Grant	(1,872)	(1,872)	(1,872)	0
New Homes Bonus	(319)	(319)	(319)	0
Other Government Grants	(683)	(683)	(683)	0
FUNDING	(16,267)	(16,267)	(16,267)	0
BUDGET BALANCE	0	0	243	243

9. Members will recall that savings totalling £0.363m were built in to the 2023/24 revenue budget to ensure that a balanced budget was achieved. As part of the budget monitoring process, progress against the achievement of these savings is monitored in year, details of which can be seen below:

Description	Saving £000	Progress of Achievement
Reduction in grant award to Burnley & Pendle Citizens Advice	10	Fully achieved.
Removal of annual contribution to the Pensions Reserve	353	Fully achieved.
TOTAL	363	

10. SAVINGS TARGETS

In addition to the savings above, it was assumed that two savings targets would be achieved over the course of the year: £169k salary savings from not filling posts immediately and £79k from in year savings/additional income. Current economic conditions and the 'Cost of Living Crisis' generally *may* threaten the achievement of these targets. At present the forecast budget overspend is £243k. A summary of the in-year targets and the projected budget forecasts categorised by salary and non-salary expenditure as at the end of Q1 can be seen in Table 2 below:

Savings	Revised Budget £000	Savings Forecast Q1 £000	Balance of Savings yet to be Identified £000
Salary Savings	(169)	4	(165)
Non-Salary Savings	(79)	1	(78)
TOTAL SAVINGS YET TO BE IDENTIFIED	(248)	5	(243)

Salary Savings Target

The position at the end of Quarter 1 is that £4k of salary savings will be secured leaving £165k of salary savings yet to be identified.

Non-Salary Savings Target

At Quarter 1, surplus investment income of £100k is funding the forecast non-salary overspends within Services of £99k, contributing a net £1k of additional income and/or reduced expenditure to the Corporate Savings target. The result is that £78k of non-salary savings are yet to be identified.

The combined balance of savings (salary and non-salary) forecast at Q1 yet to be identified totals a net requirement of £243k. The above estimates are based on forecasts at the end of Q1 when there are many future uncertainties. As such the budget is fluid in nature and may change (positively or negatively) as the year progresses.

11. SERVICE REPORTS

11.1 Departmental budgets and current forecast for each service area can be found in Appendix 1. Summarised below by service area are narratives explaining movements in the projected forecast along with any issues or concerns for highlighting.

a. **Economy and Growth**

Forecast Variance: £56k net overspend

The above variation is anticipated in respect of Burnley Market, being a combination of a loss of income from reduced trader numbers, an associated increase in overhead costs that cannot be transferred to the reduced number of traders via agreed Service Charges, and increased cost of security provision due to anti-social behaviour.

b. **Policy and Engagement**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

c. **Management Team**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

d. **Sport and Culture Leisure Client**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

Towneley Golf Season Ticket income, and Prairie Driving Range income are currently ahead of Budget Profile.

Gym Memberships income is anticipated to meet the budget but these are being closely monitored, due to the opening of alternative gym provision within the borough from the private sector.

Hospitality income is slightly ahead of the budget set. However, it remains the most challenging area due to cost of products. Burnley Leisure will be monitoring Cost of Sales closely, to ensure it remains within budget.

e. **Green Spaces and Amenities**

Forecast Variance: £1k net underspend

At Q1 the Service is forecasting a net underspend of (£1k).

This comprises an overspend of £8k on the Cremator contract owing to cpi inflation as per the contract, being above sums estimated when setting the budget and very much linked to the ongoing cost of living crisis implications referred to elsewhere in this report. This is forecast to be mitigated in year through increased income (£11k) via a partnership arrangement with a neighbouring Local Authority to help reduce their Crematoria mercury emissions, through the sale of this Council's spare 'Mercury Abatement' capacity.

The Ranger service has incurred additional overtime costs of £2k to service security related call out requests eg Towneley Hall site. The revised 2023/24 Capital Investment Programme elsewhere on the agenda proposes a replacement of the fire and intruder alarm system at Towneley Hall to reduce the number of false alarms.

f. **Streetscene**

Forecast Variance: £40k net overspend

Members will recall when approving the 2023/24 revenue budget, the risks to income associated with temporary closure and reduction of available car parking spaces as a consequence of continued Capital investment within the Town Centre.

The current forecast at Q1 is a shortfall in income of £40k associated with Pioneer Car Park.

g. **Housing and Development Control**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

h. **Strategic Partnership**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

i. **Finance and Property**

Forecast Variance: £0k

Reduced income of £6k from 'Room Hire' sales to outside bodies is to be offset by vacancy savings identified in the period (£6k) for a Trainee Accountant for which recruitment is underway.

j. **Revenues and Benefits Client**

Forecast Variance: £0

There are no variances or issues of concern to report in this quarter.

k. **Legal and Democratic Services**

Forecast Variance: £0k

There are no variances to report in this quarter.

l. **People and Development**

Forecast Variance: £0k

There are no variances or issues of concern to report in this quarter.

m. **Central Budgets**

Forecast Variance: £248k net overspend

This variation is for the purpose of presentation, recognising that the Corporate Savings targets are initially held centrally but that contributions towards the targets will be identified within Services and/or Corporate Items as the year progresses.

At Quarter 1, and as per Table 2 above, a net contribution of £5k towards the Corporate Savings target of £248k has been identified but £243k is yet to be secured.

n. **Corporate Items**

Forecast Variance: £100k net underspend

Bank rate increases during the first quarter have seen a positive impact on rates available for surplus monies deposited with approved financial institutions. Returns for the year are currently forecast to exceed the budgeted figure by (£100k).

o. **Funding**

Forecast Variance: £0k

There are no variances or issues of concern to report in this quarter.

12. EARMARKED RESERVES

The council holds a number of earmarked reserves, details of which can be seen in Appendix 2 which shows the opening balance at the start of the year and any in quarter movements.

A summary of the reserves can be seen in Table 3 below:

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	Total
	£	£	£	£
Balance as at 01/04/23	4,621	1,050	19,812	25,483
Movements between reserves	-1,123	1,123	-	-
Approved budget contributions (Original Estimate)	-10	-	-360	-370
Slippage/carry forwards from 2022/23	-	-171	-886	-1,057
Additional Movement in Q1	-1,008	835	-3,372	-3,545
Balance as at 30/06/23	2,480	2,837	15,194	20,511

Significant reserve movements in the first quarter relate to releasing approved Budget Carry Forward requests approved as part of the 2022/23 outturn reported in July and approved contributions to fund Capital expenditure, as shown below.

Any savings proposals for 2023/24 that are subsequently adopted and include proposed reductions in posts, will require the cost of any redundancies to be met in the current financial year.

13. CAPITAL FINANCING

13.1 Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £2.350m. A breakdown of the current revenue/reserve funding set aside to finance Capital expenditure is shown below, and is also included in the Capital Monitoring report elsewhere on the agenda:

Service Unit	Capital Scheme Name	£'000
Green Spaces & Amenities	Vehicle and Machinery Replacement	206
Green Spaces & Amenities	Worsthorne Rec Grd Improvements	22
Green Spaces & Amenities	Refill Fountains	5
Economy & Growth	Lower St James Street Historic Action Zone	170
Economy & Growth	Pioneer Place	665
Finance & Property	Building Infrastructure Works	2
Finance & Property	Audio & Visual Upgrade to Facilitate On-Line Meetings	100
Finance & Property	Charter Walk Refurbishment	1,180
RCCO as at 30/06/2023		2,350

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. As shown in the body of the report.

POLICY IMPLICATIONS

15. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.

DETAILS OF CONSULTATION

16. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION

PLEASE CONTACT:

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