

Revenue Monitoring Report 2018/19 – Quarter 2 (to 30 September 2018)

REPORT TO EXECUTIVE



DATE	7 November 2018
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Howard Hamilton-Smith
TEL NO	(01282) 475869
EMAIL	Hhamilton-smith@burnley.gov.uk

PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2019 based upon actual spending and income to **30 September 2018**.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast breakeven position, see Revenue Budget Summary and detailed Service Reports below and Appendix 2.

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

- b. The latest revised budget of £15.090m as shown in Appendix 1, and
- c. The net transfers to earmarked reserves of £0.022m as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2018/19 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

4. Revenue Budget Monitoring Process

There are three in-year reports on revenue budget monitoring presented to the Executive and Scrutiny Committee during the course of the financial year. This is the second in-year report for 2018/19. In addition to these three reports there is a final combined report for revenue and capital to consider the actual spending at the end of the financial year compared with the revised revenue and capital budgets. 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.

All Heads of Service have been asked to consider their budgets and provide information and details of any actual or anticipated significant variations between spending / income and budgets.

5. Budget Changes

Since the budget was approved, 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.
- Executive Member for Resources and Performance Management decisions confirming additional awards of grant and contribution over £50k.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £15.090m as shown in Appendix 1.

6. Revenue Budget Summary

As at the end of September 2018, the overall financial position is currently projected to breakeven, as shown in the table below:

	Latest Revised Budget £'000s	Forecast Outturn £'000s	Variance £'000s
Pay	9,047	9,001	(46)
Other revenue budgets	7,173	7,054	(119)
In-year efficiency savings target	(250)	(85)	165
Reserves	(880)	(880)	-
	15,090	15,090	-
Financed by:			
Council Tax	(6,739)	(6,739)	-
Business Rates	(5,473)	(5,473)	-
Revenue Support Grant	(2,228)	(2,228)	-
New Homes Bonus	(561)	(561)	-
Council Tax surplus	(89)	(89)	-
Forecast (under) / over spend as at end of September 2018	-	-	-

Salary Savings Target

In setting the budget for 2018/19, it was assumed that £150k would be saved by not filling posts immediately. The latest position is that £154k of salary savings have been secured to date, exceeding the target for the financial year by **£4k**. As the non-salary savings target has not yet been met the excess salary saving will be used to offset any shortfall.

Non-salary Savings Target

It was also agreed that there would be an in-year efficiency savings / additional income target of £250k. The latest position is that £165k of non-salary savings have been secured to date, leaving a shortfall of **£85k** to identify during the remainder of the year. It is forecast at this stage that this target will be achieved; however this will be monitored closely throughout the year.

7. Service Reports

The following tables show the Council's service units and their corresponding current forecast outturn position in comparison to their revised budget and the previously reported variance.

a. Management Team

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Management Team	333	333	333	-	-	-
Total	333	333	333	-	-	-

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

b. Policy and Engagement

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Emergency Planning	2	2	2	-	-	-
Communications	80	78	77	(1)	-	(1)
Community Engagement	204	229	229	-	-	-
Performance & Policy	113	136	136	-	-	-
Management & Admin	70	43	43	-	-	-
Total	469	488	487	(1)	-	(1)

A Digital Transformation budget of £61k was agreed by the Executive at its meeting on 24th April 2018. The 'go live' date has been delayed and as a result £25k is being transferred to the Transformation Reserve to be utilised in 2019/20, see paragraph n below. The project remains within budget.

Salary savings of £27k from a vacant communications officer post have been recognised for the year, reported in paragraph 6 above, and declared in quarter 1.

c. People and Development

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
People & Development	250	258	258	-	-	-
Total	250	258	258	-	-	-

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

d. Green Spaces and Amenities

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Bereavement Service	(850)	(847)	(847)	-	-	-
Parks & Green Spaces	1,506	1510	1,510	-	-	-
Art Gallery & Museum	223	229	229	-	-	-
Transport	73	73	73	-	-	-
Total	952	965	965	-	-	-

Salary savings of (£35k) in respect of a vacant head gardener post had been identified during quarter 1. Further salary savings of (£49k) have been identified during quarter 2 in respect of vacant posts and long-term sickness, making an overall salary saving of (£84k) identified to date. £72k of this has been used to fund an increase in the cost of the Thompson Park HLF capital scheme rather than being used to meet the corporate salary savings target. This means that the Council does not have to find additional capital resources to fund the increased capital budget. The remaining salary savings of (£12k) have been secured against the salary savings target and are included within paragraph 6 and appendix 2. This will reduce the revised budget and current forecast to £953k when approved.

Income continues to be closely monitored during the year to enable early identification of areas where a forecasted shortfall of excess of income within the year so that remedial action can be taken. There is nothing to report at this stage and income is expected to meet the targets set.

Savings approved as part of the 2018/19 budget setting process are on target and will be achieved.

e. Legal & Democratic Services

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Legal Services	293	237	199	(38)	(25)	(13)
Governance	788	779	767	(12)	-	(12)
Total	1,081	1,016	966	(50)	(25)	(25)

A reversal of £14k of the (£61k) salary savings declared in quarter 1 has been declared in this quarter. This leaves a net salary saving for the unit of (£47k) that will be used to meet the corporate salary saving target reported in paragraph 6 above. The reversal relates to national insurance and superannuation adjustments reported in quarter 1. Once the reversal is approved this will increase the revised budget to £1,030k and the current forecast to £980k.

Additional savings totalling £25k have been identified and declared in quarter 2. These include a one-off (£11k) saving in respect of software and the return of an insurance imprest fund account of (£15k). There are also a number of other smaller savings identified totalling (£8k).

A forecasted shortfall on Local Land Charges income of £14k, partly offset by additional MHCLG new burdens funding of (£5k), is expected for the financial year. Legal & Democratic Services, alongside the Finance Business Partner, will continue to closely monitoring the Local Land Charges income, and will report any further variances once they become apparent.

f. Finance and Property

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Finance Unit	711	743	743	-	-	-
Property	(353)	(383)	(309)	74	76	(2)
External Audit	65	65	65	-	-	-
Mortgages / HA Loans	(61)	(61)	(61)	-	-	-
Misc Income & Expend	(10)	(10)	(10)	-	-	-
Treasury	935	935	925	(10)	(10)	-
Total	1,287	1,289	1,353	64	66	(2)

Further salary savings of (£8k), relating to the vacant Principal Accountant post have been identified and used to meet the corporate salary saving target reported in paragraph 6 above and appendix 2. Once approved this saving will decrease the revised budget to £1,281k and the current forecast to £1,345k. Total salary savings of (£34k) have been identified and declared to date.

Rental income from the Council's investment properties continues to be closely monitored during the year and any further variances to those reported in quarter 1 will be reported once they become apparent. Small savings of (£2k) have been identified and declared in the table above.

Treasury costs continue to be monitored closely during the year. An interest rate increase in August 2018 will result in increased future borrowing costs and interest receivable by the Council.

g. Revenues and Benefits

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Revs & Bens Client	(391)	(382)	(382)	-	-	-
HB Payments/Subsidy	(74)	(74)	(74)	-	-	-
Council Tax Support	(165)	(165)	(165)	-	-	-
Cost of Collection	(703)	(703)	(703)	-	-	-
Total	(1,333)	(1,324)	(1,324)	-	-	-

Caseload numbers continue to reduce due to Universal Credit. This has resulted in a reduction in the amount of housing benefit payments made to claimants during the year with a corresponding reduction in housing benefit subsidy received from the Department for Work & Pensions. This will continue to be closely monitored during the year.

h. Leisure Trust Client

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Mechanics & Arts	47	47	47	-	-	-
Leisure Centres	557	557	557	-	-	-
Total	604	604	604	-	-	-

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

i. Streetscene

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Engineering Services	120	126	126	-	-	-
Community Safety	245	249	249	-	-	-
Car Parking	(565)	(568)	(561)	7	-	7
CCTV	137	139	131	(8)	-	(8)
Environmental Servs	2,737	2,763	2,763	-	-	-
Regulation	(244)	(243)	(243)	-	-	-
Management & Admin	725	730	730	-	-	-
Total	3,155	3,196	3,195	(1)	-	(1)

Salary savings of (£27k), relating to a number of posts on reduced hours, have been identified and used to meet the corporate salary saving target reported in paragraph 6 above and appendix 2. Once approved this would decrease the revised budget to £3,169k and the current forecast to £3,168k.

There is a forecast shortfall in income of **£7k** in relation to car parking enforcement income, similar to the level of shortfall reported in the previous financial year. Savings on CCTV costs of (**£8k**) have been identified and declared in this quarter. Income and expenditure budgets will continue to be monitored to identify any variation in income and will be reported when they become apparent.

j. Housing and Development Control

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Housing	413	575	575	-	-	-
Development Control	(68)	(68)	(68)	-	-	-
Building Control	83	83	83	-	-	-
Selective Licensing	(49)	(49)	(49)	-	-	-
Total	379	541	541	-	-	-

There are no variances or issues of concern to report in this quarter. Housing and Development Control, alongside the Finance Business Partner, will be closely monitoring both Disabled Facilities Grant fee income and Planning income, and will report any variances once they become apparent.

Salary savings of (£2k), relating to standby payments, have been identified and used to meet the corporate salary saving target reported in paragraph 6 above and appendix 2. Once approved this would decrease the revised budget and current forecast to £539k.

k. Economy and Growth

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Markets	91	106	106	-	-	-
Planning Policy	198	203	203	-	-	-
Economic Devt	472	494	494	-	-	-
Regeneration Devt	520	195	225	30	30	-
Management & Admin	123	139	139	-	-	-
Total	1,404	1,137	1,167	30	30	-

Minor salary savings of (£1k), relating to a post with reduced hours, have been identified and used to meet the corporate salary saving target reported in paragraph 6 above and appendix 2. Once approved this would decrease the revised budget to £1,136k and the current forecast to £1,166k. In addition, there are two vacant posts which will create further "in year" savings and contribute towards future budget pressures around forecast funding expiring within 2020/21. The salary savings achieved in 2018/19 have been utilised to backfill the vacancies to provide assistance in the additional local plan and capital scheme works.

A projected shortfall in income of £30k in relation to the Vision Park Development was reported in quarter 1. The sale of units A and B has been agreed which will reduce future income pressures and business rates liabilities in respect of vacant units. The business plan, and revenue budget, assumes that there will be an 85% occupancy level but this will be subject to churn and market conditions. The income position will continue to be closely monitored during the year and any further income variances will be identified and reported once they become apparent.

It is also worth noting the Market Hall income is similarly volatile and difficult to predict. Economy & Growth, together with the Finance Business Partner, will continue to monitor the position and are actively marketing vacant units. Works to address the ventilation problems in the market are current underway and will assist in the retention of existing market holders whilst making it more attractive to new tenants.

l. Strategic Partnership

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Strategic Partnership	3,610	3,610	3,550	(60)	(60)	-
Total	3,610	3,610	3,550	(60)	(60)	-

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

m. Corporate Budgets

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Democratic Represent'n	21	21	21	-	-	-
Corporate Management	75	50	50	-	-	-
Corporate Costs	1,626	1,734	1,785	51	22	29
Statutory Adjustments	1,690	2,597	2,564	(33)	(33)	-
Taxation & Grants	(596)	(545)	(545)	-	-	-
Total	2,816	3,857	3,875	18	(11)	29

Additional salary savings of £36k have been identified and used to meet the corporate salary saving target reported in paragraph 6 above. The additional salary savings has resulted in an overall salary saving declared for the year of £154k, exceeding the target for the year by £4k. Once approved this would increase the revised budget to £3,893k and the current forecast to £3,911k.

As mentioned in paragraph 6, non-salary savings of £165k have been secured to date, £136k of this was reported in quarter with a further **£29k** identified in quarter 2. This reduces the target of £250k for in-year efficiency savings / additional income, leaving a shortfall of £85k to identify during the remainder of the year.

The savings proposals for 2019/20, approved at Full Council on 26 September 2018, included £270k of proposed reductions in posts which have been subject to formal consultation. A report setting out the impact of these reductions is contained elsewhere within this agenda. The cost of any redundancies will either be met from underspends within the current financial year in the first instance, however, if there are insufficient underspends identified the costs will be met from the Transformation Reserve.

n. Earmarked Reserves

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Earmarked Reserves	83	(880)	(880)	-	-	-
Total	83	(880)	(880)	-	-	-

There is no proposed use of reserves in 2018/19 to support revenue expenditure. However, any shortfall in meeting the in-year efficiency savings targets within 2018/19 will need to be met from reserves. At this stage it is expected that this target will be achieved.

The proposed **decreased** use of reserves during quarter 2 of (**£22k**), shown in Appendix 3, is detailed below:

- **Increased** utilisation of the Taxi Licensing Reserve of **£3k**.
- The transfer of surplus monies available in the Housing Benefit Admin Subsidy Reserve of £36k and the Rail Service Reserve of £20k into the Revenue Support Reserve. This is a transfer within Other Specific Reserves and will not impact on the revenue budget.
- A Digital Transformation budget of £61k was agreed by the Executive at its meeting on 24th April, funded from the Transformation Reserve. Due to some slippage in the scheme there will be **decreased** utilisation during 2018/19 as (**£25k**) will be transferred back into the Transformation Reserve to be utilised in 2019/20.

The use of reserves shown above has previously been approved as future commitments.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

10. None.

BACKGROUND PAPERS

11. None

FURTHER INFORMATION

PLEASE CONTACT:

Howard Hamilton-Smith – Finance Manager

ALSO:

Asad Mushtaq – Head of Finance & Property