

Revenue Monitoring Report 2019/20 – Quarter 2 (to 30 September 2019)

REPORT TO EXECUTIVE



DATE	29 th October 2019
PORTFOLIO	Resources and Performance Management
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PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2020 based upon actual spending and income to 30 September 2019.
2. This report shows the current **forecast** year end outturn position based upon the forecast savings identified as at the end of the current reporting period. As in previous years, it is expected that as the year progresses, further in-year savings will be identified and reported at each quarter, reducing the forecast overspend position. A proactive approach is being taken by Service Units to identify further in-year savings. However, as overall budgets reduce, it is inevitable that it is becoming increasingly difficult to achieve and identify further savings.

RECOMMENDATION

3. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of an overspend of £172k, as summarised in Table 1 and detailed in Appendix 1. Also note the position as at the end of the quarter on the achievement of salary and non-salary savings targets and the balances yet to be found, as can be seen in Table 2.

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

- b. The latest revised net budget of **£15.815m** as shown in Table 1, and
- c. The net transfers to earmarked reserves of **£0.852m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2019/20 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. 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 second in-year report for 2019/20. 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.

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.

6. 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.
- Transfers to/from Earmarked Reserves in respect of grants/contributions and also approved carry forwards from 2018/19 (Appendix 2).

Members are asked to approve the latest revised net budget of £15.815m as shown in Table 1.

7. 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 Q2 and the anticipated variance.

As at the end of Q2 the net forecast is currently £172k over budget. Incorporated into the budget is a savings target of £400k of which £228k of potential savings have been identified as at the end of Q2, leaving a balance of £172k yet to be found (see paragraph 8). This is in comparison to £319k savings identified during the same period of the 2018/19 financial year.

Based upon previous years it is expected that further savings will emerge as the year progresses.

Table 1: Revenue Budget Forecast Position 2019/20

		Reconciliation of Approved Budget & Funding		Forecast position as at Quarter 1			Forecast position as at Quarter 2		
		Net Budget 2019/20	Funding 2019/20	Revised Budget	Forecast Q1	Variance Q1	Revised Budget	Forecast Q2	Variance Q2
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
a	Economy and Growth	1,007		1,007	974	(34)	1,019	986	(33)
b	Policy and Engagement	429		429	429	0	451	481	31
c	Management Team	340		340	340	0	340	340	0
d	Sport and Culture Leisure Client	617		617	617	0	617	614	(3)
e	Green Spaces and Amenities	865		865	827	(38)	865	827	(38)
f	Street Scene	3,122		3,122	3,082	(39)	3,181	3,084	(97)
g	Housing and Development Control	294		294	294	0	449	405	(44)
h	Strategic Partnership	3,603		3,603	3,603	0	3,882	3,882	0
i	Finance and Property	540		540	569	29	593	627	35
j	Revenues and Benefits Client	(1,332)		(1,332)	(1,332)	0	(1,332)	(1,332)	0
k	Legal and Democratic Services	1,000		1,000	973	(27)	989	968	(21)
l	People and Development	218		218	215	(3)	218	201	(17)
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	153		153	112	(41)	149	109	(40)
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(400)		(400)	0	400	(400)	0	400
	NET SERVICE BUDGET	10,455		10,455	10,703	248	11,020	11,192	172
	Pensions	1,831		1,831	1,831	0	1,831	1,831	0
	Provisions <i>(Balance to be determined at year end)</i>	0		0	0	0	0	0	0
	Impairments <i>(Provisions for Bad Debt)</i>	10		10	10	0	10	10	0
	Parish Precepts <i>(Disbursement to Parishes)</i>	154		154	154	0	154	154	0
	Treasury <i>(Investment Income & Expenditure)</i>	767		767	767	0	762	762	0
	Capital Financing	1,368		1,368	1,368	0	1,277	1,277	0
	Earmarked Reserves (to / (from))	1,702		1,702	1,702	0	1,277	1,277	0
	Strategic Reserves (to / (from))	(317)		(317)	(317)	0	(362)	(362)	0
	NET CORPORATE ITEMS	5,513		5,513	5,513	0	4,948	4,948	0
	Council Tax		(6,962)	(6,962)	(6,962)	0	(6,962)	(6,962)	0
	Parish Precepts <i>(Receipts from Council Tax Payers)</i>	(154)	0	(154)	(154)	0	(154)	(154)	0
	Business Rates: Retained Income		(7,057)	(7,057)	(7,057)	0	(7,057)	(7,057)	0
	Business Rates: S31 Grants <i>(For award of business rates relief)</i>		(1,219)	(1,219)	(1,219)	0	(1,219)	(1,219)	0
	Prior Year Collection Fund (Surplus)/Deficit		32	32	32	0	32	32	0
	New Homes Bonus		(607)	(607)	(607)	0	(607)	(607)	0
	Other Government Grants		0	0	0	0	0	0	0
	FUNDING	(154)	(15,815)	(15,968)	(15,968)	0	(15,968)	(15,968)	0
	BUDGET BALANCE	15,815	(15,815)	(0)	248	248	(0)	172	172

8. SAVINGS TARGETS

In setting the budget it was assumed that two savings targets would be achieved: £150k salary savings from not filling posts immediately and £250k in year savings/additional income target. A summary of the position in achieving these targets as at the end of Q2 can be seen in Table 2 below:

Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Balance of Savings yet to be Identified
	£000	£000		£000
Salary Savings	(150)	123	19	(8)
Non-Salary Savings	(250)	29	57	(164)
TOTAL	(400)	152	76	(172)

Salary Savings Target

The position at the end of Q2 is that £142k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £8k to identify throughout the remainder of the year.

Non-Salary Savings Target

The latest position is that £86k of non-salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £164k to identify during the remainder of the year.

9. ACTION PLAN

A proactive approach to identify future forecast savings is being adopted by individual Service Units to fully realise the in-year savings targets and achieve a balanced budget at year end. This is an established approach that was used in the previous financial year to ensure that the savings targets were achieved. This approach has so far identified forecast savings of £172k in the first two quarters of the current financial year. Any further savings identified will be reported in the Q3 in-year monitoring report and in the year-end outturn report.

10. SERVICE REPORTS

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

a. Economy and Growth

Forecast Variance: (£33k) net underspend

Previous forecast variance: (£33k) net underspend

There has been no change in forecast this quarter. The forecast net underspend is due to salary savings in respect of the Town Centre Management post (£27k) and the Business Support post (£6k). The Town Centre Management post is still vacant with

replacement on hold until the completion of the Business Improvement District (BID) proposal in November 2019. The Business Support post has now been filled.

With regards to market income, whilst there has been no change to income forecasts at this stage it should be noted that a number of market holder leases are due for renewal in Quarter 3. Any impact of these will be reported through in the next monitoring report.

b. Policy and Engagement

Forecast Variance: £31k net overspend

Previous forecast variance: £0k

The 'Prevent' scheme came to an end at the end of 2018/19 which was funded by the Home Office. Redundancy costs of £39k were incurred for which a claim was made to the Home Office for reimbursement. Negotiations are still ongoing as to whether these costs will be reimbursed. Reduction in salary costs (£5k) due to an increase in recharge of staff time to the Syrian Refugee Programme along with other nominal items (£3k) that make up minor underspends.

c. Management Team

Forecast Variance: £0

Previous forecast variance: £0k

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

d. Sport and Culture Leisure Client

Forecast Variance: (£3k) net underspend

Previous forecast variance: £0k

Reduction in water charges payable (£3k).

e. Green Spaces and Amenities

Forecast Variance: (£38k) net underspend

Previous forecast variance: (£38k) net underspend

There has been no change in forecast this quarter. The (£38k) net underspend is due to salary savings in respect of a vacant Guide Attendant post and a reduction in the casual employee budget. The Guide Attendant post is to remain vacant and be offered as a saving in the 2020/21 financial year. Similarly, the reduction in the casual employee budget is also to be offered as a saving in 2020/21.

f. Street Scene

Forecast Variance: (£97k) net underspend

Previous forecast variance: (£39k) net underspend

Forecast additional income identified in this quarter due to additional trade waste income following an increase in the number of subscribers to the service (£50k), additional income due to a recharge of officer time for work completed on behalf of an external body (£6k) and other nominal items (£2k).

The (£39k) identified in Q1 is in respect of a vacant Community Safety Manager post and one employee not subscribing to the superannuation scheme. The Community Safety Manager post is still vacant, with a review currently being undertaken with regards to a replacement.

g. Housing and Development Control
Forecast Variance: (£44k) net underspend
Previous forecast variance: £0k

Salary costs in respect of a Technical Officer being charged to capital (£36k) as well as salary savings due to officer time being recharged to Selective Licensing (£8k).

h. Strategic Partnership
Forecast Variance: £0k
Previous forecast variance: £0k

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

i. Finance and Property
Forecast Variance: £35k net overspend
Previous forecast variance: £29k net overspend

A reduction in rental income of £33k is in part due to the current market conditions impacting upon the retail sector, and also vacant properties within Charter Walk. Income will be closely monitored throughout the year.

A forecast reduction in bus station departure income is now reported due to a reduction in the frequency of departures which leaves a forecast shortfall of income of £12k.

These are partially offset by a forecast reduction in repair & maintenance costs relating to CCTV (£4k) and other nominal items (£6k).

j. Revenues and Benefits Client
Forecast Variance: £0
Previous forecast variance: £0k

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

k. Legal and Democratic Services
Forecast Variance: (£21k) net underspend
Previous forecast variance: (£27k) net underspend

A £16k under-recovery of land charges income is reported this quarter because of external competition (this is £6k in addition to the £10k reduction in income forecast in Q1).

However, this is offset by a reduction in insurance costs payable (£31k) following a procurement exercise and salary saving costs (£6k) due to maternity leave.

l. People and Development
Forecast Variance: (£17k) net underspend
Previous forecast variance: (£3k) net underspend

Forecast net underspend of (£17k) due to salary savings identified in relation to an Apprentice position which is not due to be filled this year (£16k) plus additional salary savings of (£1k) due a reduction in hours regarding another post.

m. Central Budgets

Forecast Variance: (£40k) net underspend

Previous forecast variance: (£40k) net underspend

(£37k) underspend due to a refund of surface water costs dating back to 2011 relating to a previously demolished site plus other nominal items (£3k).

11. 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
	£000	£000	£000	£000
Balance as at 01/04/19	(1,327)	(2,209)	(3,709)	(7,246)
Drawn down in Q1	78	240	(1,702)	(1,385)
Drawn down in Q2	34	11	425	469
Balance as at 30/06/19	(1,216)	(1,959)	(4,987)	(8,162)

There is no proposed use of reserves in 2019/20 to support revenue expenditure. However, any shortfall in meeting the in-year savings targets within 2019/20 will need to be met from reserves.

Additionally, any savings proposals for 2020/21 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. These costs will be met from the Transformation Reserve in 2019/20, unless there is an overall surplus outturn position at year end, in which case some or all of these costs will be funded from net underspends.

12. CAPITAL FINANCING

12.1 Within the capital financing total of £1.368m, as can be seen in table 1, is a revenue contribution to capital outlay (RCCO) of £374k. This is where revenue funds are used to finance capital schemes. The contribution of £374k relates to vehicle and machinery replacement (£113k), Pioneer Place (£190k), Lower St James St (£50k), CCTV infrastructure works (£10k) and purchase of a replacement refuse vehicle (£11k).

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

13. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

15. None

BACKGROUND PAPERS

16. None

FURTHER INFORMATION

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PLEASE CONTACT:

ALSO

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