

Revenue Monitoring Report 2019/20 – Quarter 3 (to 31 December 2019)

REPORT TO EXECUTIVE



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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 31 December 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. There is one more reporting period remaining of the current financial year in which to identify any additional forecast underspends. These will be reported in the year end final outturn report. Any shortfall in attaining the in-year savings target will be funded from the Revenue Support Reserve, which has been established for this purpose.

RECOMMENDATION

3. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of an overspend of £140k, 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 **£0.819m** as shown in Appendix 2.
- d. The carry forward of forecast unspent budgets as requested by Heads of Service in Appendix 3. These amounts totalling £166k, are all funded by external grant income and are to be transferred into the revenue grants unapplied reserve. The monies will be transferred back out to create additional revenue budgets in 2020/21 or when required. Government grant monies which are not fully spent in accordance with the grant conditions may have to be returned to the relevant government body.

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 third 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 Q3 and the anticipated variance.

As at the end of Q3 the net forecast is currently £140k over budget. Incorporated into the budget is a savings target of £400k of which £260k of potential savings have been identified as at the end of Q3, leaving a balance of £140k yet to be found (see paragraph 8). This is in comparison to £394k savings identified during the same period of the 2018/19 financial year.

Based upon previous years it is expected that further savings will emerge in the final quarter of this financial year.

Table 1: Revenue Budget Forecast Position 2019/20

		Reconciliation of Approved Budget & Funding		Forecast position as at Quarter 2			Forecast position as at Quarter 3		
		Net Budget 2019/20	Funding 2019/20	Revised Budget	Forecast Q2	Variance Q2	Revised Budget	Forecast Q3	Variance Q3
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
a	Economy and Growth	1,007		1,019	986	(33)	1,036	1,012	(23)
b	Policy and Engagement	429		451	481	31	485	476	(8)
c	Management Team	340		340	340	0	340	340	0
d	Sport and Culture Leisure Client	617		617	614	(3)	617	609	(8)
e	Green Spaces and Amenities	865		865	827	(38)	867	893	26
f	Street Scene	3,122		3,181	3,084	(97)	3,184	3,050	(135)
g	Housing and Development Control	294		449	405	(44)	458	455	(4)
h	Strategic Partnership	3,603		3,882	3,882	0	3,882	3,882	0
i	Finance and Property	540		593	627	35	592	608	16
j	Revenues and Benefits Client	(1,332)		(1,332)	(1,332)	0	(1,332)	(1,332)	0
k	Legal and Democratic Services	1,000		989	968	(21)	988	972	(16)
l	People and Development	218		218	201	(17)	218	201	(17)
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	153		149	109	(40)	183	143	(40)
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(400)		(400)	0	400	(400)	0	400
	NET SERVICE BUDGET	10,455		11,020	11,192	172	11,117	11,309	191
	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		762	762	0	762	762	0
	Capital Financing	1,368		1,277	1,277	0	1,277	1,225	(51)
	Earmarked Reserves (to / (from))	1,702		1,277	1,277	0	1,236	1,236	0
	Strategic Reserves (to / (from))	(317)		(362)	(362)	0	(418)	(418)	0
	NET CORPORATE ITEMS	5,513		4,948	4,948	0	4,851	4,799	(51)
	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)	172	172	(0)	140	140

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 Q3 can be seen in Table 2 below:

Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Savings Forecast Q3	Balance of Savings yet to be Identified
	£000	£000			£000
Salary Savings	(150)	123	19	61	53
Non-Salary Savings	(250)	29	57	(28)	(193)
TOTAL	(400)	152	76	32	(140)

Salary Savings Target

The position at the end of Q3 is that £203k of salary savings have been secured to date as can be seen in Table 2 above, overachieving the target of £150k by £53k. The additional £53k achieved will be used to offset the non-salary savings target.

Non-Salary Savings Target

The latest position is that £57k of non-salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £193k to identify during the remainder of the year. Combined with the over achievement of the salary savings target the net shortfall is £140k.

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 £260k in the first three quarters of the current financial year. Any further savings identified will be reported 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: (£23k) net underspend

Previous forecast variance: (£33k) net underspend

The forecast underspend identified as at the end of Q2 (£33k) is due to salary savings in respect of the Town Centre Management post (£27k) and the Business Support post (£6k). Replacement of the Town Centre Management post was on hold until the completion of the Business Improvement District (BID) proposal in November 2019. The BID proposal has been approved. The Business Support post has now been filled.

Reduction in income of £10k forecast this quarter, reducing the previous forecast underspend to (£23k). This is due to a shortfall in income on licensed pitches.

b. Policy and Engagement

Forecast Variance: (£8k) net underspend

Previous forecast variance: £31k net overspend

Reduction in net overspend due to confirmation of grant monies to be received from the Home Office to contribute towards redundancy costs relating to the 'Prevent' scheme. The balance of the costs payable will be funded from the Transformation Reserve, unless the outturn position at year end results in a sufficient underspend. This reverses the previous forecast overspend of £39k in respect of redundancy costs as detailed in the paragraph below.

The £31k forecast at the end of Q2 is due redundancy costs of £39k incurred due to the 'Prevent' scheme coming to an end at the end of 2018/19. As mentioned above the Home Office have confirmed that they will reimburse £5k with the balance to be funded from the Transformation Reserve or year-end underspends. 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: (£8k) net underspend

Previous forecast variance: (£3k) net underspend

Reduction in anticipated grants payable for external events (£5k) based upon requests received to date.

The (£3k) net underspend at the end of Q2 was due to a reduction in water charges payable.

e. **Green Spaces and Amenities**

Forecast Variance: £26k net overspend

Previous forecast variance: (£38k) net underspend

Reduction in forecast income across various areas: £20k reduction in interment fee income and £12k reduction in Mercury Abatement income at Burnley Crematorium. Mercury released during the cremation process is monitored and required to be below a statutory limit. Where mercury production is lower than the statutory limit the headroom between the actual production and the statutory limit can be offset against the production levels of crematoriums who produce more than the statutory limit as an offsetting transaction for which income is received. The Council is in receipt of this income, however as crematoriums nationally are upgraded to better deal with mercury production there is a reduced demand for these offsetting transactions and as a result income is decreasing.

In addition, there is a reduction in football pitch hire income of £10k across 3 sites as well as reduction in admission income £17k and refreshments income £5k at Towneley Hall due to lower than anticipated demand for wedding bookings.

The (£38k) forecast net underspend as at end the end of Q2 was 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: (£135k) net underspend

Previous forecast variance: (£97k) net underspend

Additional net underspends identified this quarter due to a forecast reduction in software maintenance costs (£12k), additional income to be received from LCC to fund street cleansing works (£2k) and nominal salary savings (£24k) across several vacant posts.

Forecast income identified as at the end of Q2 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: (£4k) net underspend

Previous forecast variance: (£44k) net underspend

Forecast reduction in income in respect of renovation grants admin fee income £40k. This income is dependant upon the number of grants awarded.

The (£44k) net underspend at the end of Q2 was due to 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: £16k net overspend

Previous forecast variance: £35k net overspend

Decreased net overspend of £19k since Q2 which is made up net overspends on staff training costs £2k and software costs of £16k due to various in year requirements for new systems/upgrades. Offset by forecast underspends on agency staff (£15k) and salary savings due to a vacant post (£22k). The vacant post has been filled with employment due to commence in March.

Previous forecast overspend due to 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 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: (£16k) net underspend

Previous forecast variance: (£21k) net underspend

Decreased net underspend of £5k since Q2 due to upfront legal costs payable in relation to a dispute £7k, offset in part by additional forecast underspend on civic events (£2k) identified since Q2. This is based upon events planned for the year.

Previous forecast underspend due to a £16k under-recovery of land charges income because of external competition, 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: (£17k) net underspend

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

Previous forecast net underspend due to salary savings 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

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

The net underspend at the end of Q2 was due a refund of surface water costs dating back to 2011 relating to a previously demolished site (£37k) 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
Drawn down in Q3	36	20	41	97
Balance as at 31/12/19	(1,180)	(1,939)	(4,946)	(8,065)

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).
- 12.2 Included within the Treasury Management Strategy which is included elsewhere on this agenda is a proposal to change the method of calculating MRP.

The MRP shall be calculated:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.
- b) For capital expenditure funded from prudential borrowing in accordance with option 3 of the guidance for financial years 2008/09 to 2018/19.

Calculated on the asset life method - using the equal instalment method. The calculation will divide the borrowing relating to each particular asset and divide this by the estimated life of the asset to produce an equal annual charge to the revenue account. This will also be the method used when the asset is not Burnley Council's asset but where the Council has made a capital contribution to the cost.

- c) For capital expenditure incurred for financial years 2019/20 and onward, MRP will be calculated on the asset life method – using the annuity method. Under this calculation, the revenue budget bears an equal annual charge (for principal and interest) over the life of the asset by taking into account the time value of money. The schedule of charges produced by the annuity method results in a consistent charge over an asset's life, taking into account the real value of the annual charges when they fall due.

For the current year it is forecast that this change will result in a reduction in MRP payable (£51k) which has been included within the forecast savings identified to date of £277k.

13. CARRY FORWARD REQUESTS

- 13.1 Carry forward requests totalling £166k have been received from Budget Holders, details of which can be seen in Appendix 3. External grant funding has been received for each of the carry forward requests. Conditions are often attached to external grant monies received, one of which may be that any unspent grant monies have to be returned to source. As a consequence, these monies are to be transferred into the revenue grants unapplied reserve at the end of the current financial year and transferred back out in 2020/21 (or later years as required) to allow the grants to be spent.

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

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PLEASE CONTACT:

ALSO

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