

## Revenue Monitoring Report 2020/21 – Quarter 1 (to 30 June 2020)

### REPORT TO EXECUTIVE



<b>DATE</b>	<b>11<sup>th</sup> August 2020</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Howard Hamilton-Smith</b>
<b>TEL NO</b>	<b>(01282) 477173</b>
<b>EMAIL</b>	<b>hhamilton-smith@burnley.gov.uk</b>

### PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2021 based upon actual spending and income to 30 June 2020.
2. Members are asked to note the financial impact of the Coronavirus pandemic as can be seen in para 5. In view of these exceptional times the revenue monitoring position is uncertain.

### RECOMMENDATION

3. The Executive is asked to:
  - a. Note the projected revenue budget forecast position of a net overspend of £2.7m, as summarised in table 1 and detailed in Appendix 1.
  - b. Note that Officers are continuing to work on a number of options to mitigate the potential financial impact and bring forward options for decision as appropriate.
  - c. Note that the Council, along with other District Council's and industry groups continue to lobby Central Government for additional funding.
  - d. Note that further income compensation is to be received. Where these income losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. See para 11.

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

- e. The latest revised net budget of **£15.693m** as shown in Table 1, and
- f. The net transfers to earmarked reserves of **£1.703m** as shown in Appendix 2.

## REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2020/21 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 Covid -19

This report shows the forecast outturn position based on the net budget forecast within the current reporting period. In previous years, the focus of this report has been on the net budget forecast and the achievement of the savings targets. Due to the Coronavirus pandemic, this year is unprecedented with the focus instead being on the forecast reductions in income and increases in expenditure, resulting in a potential significant year end net budget deficit. At the end of the current reporting period, the forecast year end net budget deficit stands at £2.7m. This is after taking into consideration £1.271m of direct Central Government funding received to date. The budget deficit equates to 17% of the Council's overall net budget. The deficit is based upon forecast income and expenditure as at the end of Quarter 1, a time at which there are many future unknowns. The budget is being continually monitored.

Currently any shortfall in funding will have to be met from reserves, however further significant government intervention will be required as the current level of reserves is not sufficient to fund the estimated deficit. This Council, along with other District Councils and industry groups will continue to lobby Central Government for additional funding. Consideration has only been given to the short-term impact of the pandemic and there is a high probability that the impact will be longer-term spanning future financial years, with increased costs and income losses.

Officers are continuing to work on a number of options to mitigate the potential financial impact and will bring forward options for decision as appropriate. A review of some service provision may be necessary.

### 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 2020/21. 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.

## 7. 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 2019/20 (Appendix 2).

Members are asked to approve the latest revised net budget of £15.693m 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.

At the end of Q1 the net budget forecast is currently £2.7m deficit. Incorporated into the budget are two savings targets: a £154k salary savings target and a £59k non salary savings target. This report would normally focus on the savings identified in year and the achievement of these targets. In the current circumstances this is not feasible. The net budget forecast of £2.7m deficit is based upon the latest estimates of income and expenditure, of which there are still many future unknowns. Consideration has only been given to the short-term impact of the pandemic and there is a high probability that the impact will be longer-term spanning future financial years, with increased costs and income losses.

9. Over recent weeks the Government has announced a series of financial interventions to help support local authorities and their residents/businesses during the current Coronavirus pandemic. Of these financial interventions this Council has received a direct funding allocation of £1.271m out of a Central Government fund of £3.305bn. Of our £1.271m allocation, £6k is a ringfenced grant towards tackling homelessness and £79k is ringfenced as part of the 'Re-opening High Streets Safely' scheme. The balance (£1.186m) was received in three tranches: £75k received in Tranche 1 which has been allocated to tackling homelessness, £882k in Tranche 2 and £229k in Tranche 3. Both Tranche 2 and Tranche 3 monies are un-ringfenced funding to assist with reductions in income received and additional cost pressures incurred by the Council. In the lead up to the allocation of Tranche 2 and Tranche 3 monies there was significant lobbying from District Councils about not only cost pressures but also pressure arising from great reductions in income. As a result, the grant was intended by Government to cover both, however as can be seen in this report, the funding received is insufficient
10. The money from Central Government is welcome, however, even with this funding the forecast overspend represents 17% of the Council's net budget for 2020/21. The Council

would not have the financial resources to cover these losses if the impact of the virus was prolonged and sustained over the current financial year, and without further significant financial support the Council would not be able to meet this level of challenge. Due to the ever-changing environment the budget position is fluid and is being continually monitored and reviewed. More detailed forecasts will be provided throughout the year as part of the budget monitoring reporting cycles.

11. Included within the £500m support package for Local Government announced by the Government on 2nd July 2020 was an announcement to support income losses. Where these income losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. The announcement also stated that council and business rates tax deficits can be repaid over three years instead of one. At the time of writing this report no further details as to individual council allocations was available, however once this funding is received the deficit will reduce.
12. An additional option is to look at setting an emergency budget for the current financial year, however it is not felt appropriate at the present time as there are many uncertain variables. Also, additional Central Government funding may be received which may help to bridge the budget gap.

**Table 1: Revenue Budget Forecast Position 2020/21**

		Reconciliation of Approved Budget & Funding	Forecast position as at Quarter 1		
		Net Budget 2020/21 £000s	Revised Budget £000s	Forecast Q1 £000s	Variance Q1 £000s
a	Economy and Growth	922	922	1,088	167
b	Policy and Engagement	417	417	449	32
c	Management Team	354	354	354	0
d	Sport and Culture Leisure Client	734	734	1,046	312
e	Green Spaces and Amenities	1,020	1,020	1,126	106
f	Streetscene	3,054	3,054	3,617	563
g	Housing and Development Control	387	387	598	211
h	Strategic Partnership	3,959	3,959	3,959	0
i	Finance and Property	509	509	1,068	559
j	Revenues and Benefits Client	(1,341)	(1,341)	(1,035)	307
k	Legal and Democratic Services	989	989	973	(16)
l	People and Development	209	209	209	0
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	169	169	363	194
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(213)	(213)	0	213
	<b>NET SERVICE BUDGET</b>	<b>11,168</b>	<b>11,168</b>	<b>13,814</b>	<b>2,647</b>
	Pensions	761	761	761	0
	Provisions <i>(Balance to be determined at year end)</i>	0	0	0	0
	Impairments <i>(Provisions for Bad Debt)</i>	0	0	0	0
	Parish Precepts <i>(Disbursement to Parishes)</i>	166	166	166	0
	Treasury <i>(Investment Income &amp; Expenditure)</i>	879	879	974	95
	Capital Financing	1,017	1,017	1,017	0
	Earmarked Reserves (to / (from))	953	953	953	0
	Strategic Reserves (to / (from))	750	750	750	0
	<b>NET CORPORATE ITEMS</b>	<b>4,525</b>	<b>4,525</b>	<b>4,620</b>	<b>95</b>
	Council Tax	(7,160)	(7,160)	(6,486)	674
	Parish Precepts <i>(Receipts from Council Tax Payers)</i>	(166)	(166)	(166)	0
	Business Rates: Retained Income	(4,513)	(4,513)	(3,962)	550
	Business Rates: S31 Grants <i>(For award of business rates relief)</i>	(1,219)	(1,219)	(1,219)	0
	Prior Year Collection Fund (Surplus)/Deficit	(301)	(301)	(301)	0
	Revenue Support Grant	(1,640)	(1,640)	(1,640)	0
	New Homes Bonus	(694)	(694)	(694)	0
	Other Government Grants	0	0	0	0
	<b>FUNDING</b>	<b>(15,693)</b>	<b>(15,693)</b>	<b>(14,468)</b>	<b>1,224</b>
	<b>BUDGET BALANCE</b>	<b>0</b>	<b>0</b>	<b>3,966</b>	<b>3,966</b>
	Share of £3.2m Homelessness Funding (ringfenced grant)	0	0	(6)	(6)
	Tranche 1 - Share of £1.6bn allocated from £5bn Coronavirus Fund – Burnley allocation for homelessness	0	0	(75)	(75)
	Tranche 2 - Share of additional £1.6bn funding announced on 18 <sup>th</sup> April 2020 – non-ringfenced grant	0	0	(882)	(882)
	Share of £50m Re-opening High Streets Safely Fund (ringfenced grant)	0	0	(79)	(79)
	Tranche 3 - Share of additional £500m funding announced on 2nd July 2020- non ring fenced grant	0		(229)	(229)
		<b>0</b>	<b>0</b>	<b>2,695</b>	<b>2,695</b>

### 13. SAVINGS TARGETS

As previously mentioned, in setting the budget it was assumed that two savings targets would be achieved: £154k salary savings from not filling posts immediately and £59k in year savings/additional income target. In light of the financial pressures incurred as a result of the Coronavirus pandemic the operational underspend target will not be achieved. The salary savings target may be achieved due to staff turnover and vacant posts. At present the forecast budget overspend is £2.7m. This is after Central Government funding has been taken into consideration. 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:

**Table 2: Summary of Corporate Savings**

Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Savings Forecast Q3	Balance of Savings yet to be Identified
	£000	£000			£000
Salary Savings	(154)	19	0	0	(134)
Non-Salary Savings	(59)	(3,773)	0	0	(3,832)
<b>TOTAL</b>	<b>(213)</b>	<b>(3,754)</b>	<b>0</b>	<b>0</b>	<b>(3,966)</b>
Less Central Government Funding Received					1,271
<b>TOTAL SAVINGS YET TO BE IDENTIFIED</b>					<b>(2,695)</b>

#### **Salary Savings Target**

The position at the end of Q1 is that £19k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £134k to identify throughout the remainder of the year.

#### **Non-Salary Savings Target**

The latest position is that the estimated reduction in income and increased expenditure has increased the balance of non-salary savings yet to be identified to £3.8m.

The combined balance of savings (salary and non-salary) yet to be identified totals £3.9m which is reduced to a net budget deficit of £2.7m once Central Government funding received to date has been taken into consideration. The above estimates are based on forecasts at the end of Quarter 1, when there are still many future uncertainties. As such the budget is fluid in nature and may change (positively or negatively) as the year progresses. The Council does not have sufficient reserves to bridge the current forecast budget deficit. As mentioned in paragraph 11 additional Government funding has been announced however our allocation is not yet known.

## 14. SERVICE REPORTS

14.1 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 to be highlighted.

### a. Economy and Growth

#### ***Forecast Variance: £167k net overspend***

Reduction in stall income at the Market Hall £37k due to 50% rent and service charge reduction for the period June – September 2020 (inclusive) along with additional agency staff costs £5k to provide cover for an Officer to provide cover. Offset in part by a reduction in salary costs (£2k) for the Assistant Market Manager post due to the previous postholder now working on Burnley BID. The vacancy has been filled. Increased provision for the non-payment of market stall rental income £20k due to the cancellation of several direct debit payments.

Reduction in forecast income at Vision Park £74k. This is a culmination of reduced rental and service charge income due to vacant units and also a rent-free period offered to current tenants who would not attract a Small Business grant under the Government's Business Grant Award Scheme. In addition, forecast increase in business rates payable on the vacant units £18k.

Reduced income from Business Support rechargeable work £15k due to rechargeable work no longer being carried out.

### b. Policy and Engagement

#### ***Forecast Variance: £32k net overspend***

Forecast reduction in income from external works carried out by the Graphics Team £32k due to reduced demand in the current climate.

### 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: £312k net overspend***

Burnley Leisure are facing a potential in year cashflow shortfall of £312k which may require a financial contribution from the Council. However, to be clear, a financial contribution from the Council would only be made if Burnley Leisure were unable to enact an effective action plan to manage the financial impact of the Coronavirus pandemic and any support would require approval from Members. Membership fees are a major source of income for Burnley Leisure however this income could not be collected during the period that their various facilities had to close. The period of closure for each facility was dependent upon the service offered. Like many other leisure trusts across the country they are facing potentially significant financial challenges due the pandemic. The estimated in-year shortfall for Burnley Leisure is a high-level forecast incorporating the opening of leisure centres in accordance with government guidelines and the ability to earn membership income. It also includes the furlough bonus announced by the Government for all permanent members of staff. Burnley Leisure is preparing a recovery plan to identify proposals to mitigate this potential loss of income and continue operations.

e. **Green Spaces and Amenities**

**Forecast Variance: £106k net overspend**

Additional burial and crematorium income (£104k) at the end of Q1 in comparison to the same time the previous financial year due to excess deaths as a result of the coronavirus pandemic. However, excess death rates are reducing. It is uncertain whether the number of excess deaths will continue to fall as the year progresses or whether the trend will reverse if there is a second wave of the pandemic. As a consequence, the additional income received may level out as the year progresses.

Reduced cemetery/crematorium income £7k from the hire of the chapel and purchase of memorial wall plaques.

Reduction in catering rights/service charge income £60k at various establishments in Queens Park, Towneley Park & Old Stable Café as these facilities were required to close due to the Coronavirus pandemic. Car parking income at Towneley Park and Thompson Park lower than forecast £55k as the car parks were closed during April and May.

A fall in football pitch bookings has resulted in a forecast reduction in income of £7k. No income is forecast to be received from the hire of Townley Park by the fairground of £8k as at present it is not anticipated that the fairground will be able to attend. Likewise, it is expected that the annual firework event will not take place resulting in a loss of income of £18k. In addition, no events are anticipated to be held at Thompson Park Pavillion resulting in a forecast reduction of income £5k.

Forecast reduction in expenditure at Towneley Hall (£38k) across several areas, for example, purchase of goods for resale, uniforms, catering supplies, marketing and publicity and exhibitions costs due to the current closure. Offset by a forecast reduction in income £104k relating to admissions, events, tours, sale of goods and donations.

Salary savings (£16k) in relation to a Community Engagement Ranger post. The position is not going to be replaced.

f. **Streetscene**

**Forecast Variance: £563k net overspend**

Reduction in car parking daily fee income forecast for the year of £291k due to no income being generated April – June and reductions throughout the rest of the year, as well as a reduction in contract parking income £68k. Car park enforcement action was also suspended April – June resulting in a forecast reduction in income from fines £26k.

The environmental enforcement contract is currently suspended leading to a forecast reduction in net income of £52k.

The provision of a limited pest control services has led to a reduction in pest control service costs (£4k). This has been offset by a reduction in domestic and commercial pest control income £31k.

The current suspension of the courts has resulted in a forecast reduction in court cost income and court compensation income £5k in respect of back yard clearances.



Forecast reduction in licensing income across several areas: street trader licences £9k and kennelling licences £2k due to a reduced take up of licences; taxi licences £40k as no new applications are being received and those expiring before 1<sup>st</sup> August are being renewed automatically for 4 months; other general licences £26k as auto renewal fees have been suspended resulting in 3 months loss of income.

Increased costs in relation to public funerals £17k due to an increase in demand due to the Coronavirus pandemic.

g. **Housing and Development Control**

***Forecast Variance: £211k net overspend***

Reduced renovation grant fee income £103k as no renovation grants have been carried out in the period April to June. This is because those in receipt of the grants are often those who are most vulnerable in society. In addition, the number of referrals from Occupational Therapists are falling.

Forecast shortfall in planning fee income £108k based on income received to date and comparisons to previous years.

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: £559k net overspend***

Various costs £25k relating to the purchase of software, over-time incurred maintaining reception cover at the Town Hall and also a reduction in room hire income at the Town Hall.

Reduction in bus station departure income £34k due to the number of departures being less frequent during the period of lockdown. Forecast reduction in commercial rental income £500k due to the impact that the pandemic has had and is forecast to have on commercial businesses within the borough.

j. **Revenues and Benefits Client**

***Forecast Variance: £307k net overspend***

Reduced courts cost income £300k relating to non-payment as recovery is currently suspended as the courts are not sitting. This equates to 49% of the annual budgeted income.

Grant received regarding the administration of council tax support lower than initially estimated £7k.

k. **Legal and Democratic Services**

***Forecast Variance: (£16k) net underspend***

A re-tender of the Council's insurance services has resulted in a forecast net underspend (£75k). Offset in part by a forecast reduction in local land charges income £25k due to a slowing property market during the pandemic and £30k Agency Staff costs to provide staffing cover during a period of illness. In addition, various small forecast increases in expenditure £4k in relation to democracy software costs, printing & stationery costs due to an increased need to print meeting agendas as meetings are held remotely.

**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: £194k net overspend***

Various costs in relation to the current pandemic, for example, food parcels, guidance literature, grants to community projects, costs relating to Burnley Hub, staffing costs in relation to the Business Grants Scheme, costs relating to the administration of the Council Tax Hardship Fund, PPE, IT costs, additional materials required to deal with the increase in burials due to the pandemic and homelessness costs.

**n. Corporate Items**

***Forecast Variance: £95k net overspend***

A cut in the Bank of England base rate has led to a forecast reduction in temporary investment income £80k. In addition, the Property Funds are estimating a 25% reduction in dividends payable £15k.

**o. Funding**

***Forecast Variance: £1,224k net overspend***

In year collection rates of 97.5% for business rates and 94.5% for council tax have been revised down to 92.5% and 90% respectively, which has led to a forecast reduction in income from council tax £674k and business rates £550k. The Government announcement to award Retail, Hospitality & Leisure Discounts and Nursery Reliefs to qualifying businesses has reduced the amount of business rates to be collected (and in turn reduced the impact of non-collection), as these reliefs are fully funded by Central Government. There is still uncertainty around the future collection of council tax and business rates especially around the impact of the furlough scheme coming to an end or if there is a second wave of the pandemic. The collection of council tax and business rates will continue to be monitored on a monthly basis to ascertain the drop-off of direct debits and cash payments to forecast-forward the level of loss.

**15. 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. Please note that the opening balances of the reserves are subject to change following the close-down of the 2019/20 Statement of Accounts:

**Table 3: Summary of Reserves**

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	TOTAL
	£000	£000	£000	£000
Balance as at 01/04/20*	(1,900)	(2,074)	(5,346)	<b>(9,320)</b>
Movement in Q1	(750)	-	(953)	<b>(1,703)</b>
<b>Balance as at 30/06/20</b>	<b>(2,650)</b>	<b>(2,074)</b>	<b>(6,299)</b>	<b>(11,023)</b>

\* Please note that the opening balances of the reserves are subject to change following the close-down of the 2019/20 Statement of Accounts

When the 2020/21 budget was prepared it was not proposed to use reserves to support revenue expenditure, however due to the current situation there will now be a need to use reserves. Currently any shortfall in funding will have to be met from reserves, however further significant government intervention will be required as the current level of reserves is not sufficient to fund the estimated deficit.

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.

## 16. CAPITAL FINANCING

16.1 Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £1.508m. This is where revenue funds are used to finance capital schemes. The contribution of £1.508m relates to vehicle and machinery replacement (£104k), refill fountains (£21k), CCTV infrastructure (£2k), Pioneer Place (£135k), Burnley-Pendle Growth Programme (£722k), Lower St James St Historic Action Zone (£400k), Finsley Wharf & Canal Towpath improvements (£33k), building infrastructure works (£81k) and energy efficiency (£10k).

### FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. As shown in the body of the report.

### POLICY IMPLICATIONS

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

### DETAILS OF CONSULTATION

19. None

**BACKGROUND PAPERS**

20. None

**FURTHER INFORMATION**

**Howard Hamilton-Smith – Finance Manager**

**PLEASE CONTACT:**

**ALSO**

**Amy Johnson – Principal Accountant**