

## Revenue Monitoring Report 2020/21 – Quarter 3 (to 31 December 2020)

### REPORT TO EXECUTIVE



DATE	15 <sup>th</sup> February 2021
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Howard Hamilton-Smith
TEL NO	(01282) 427173
EMAIL	Hhamilton-smith@burnley.gov.uk

#### PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2021 based upon actual spending and income to 31 December 2020.

#### RECOMMENDATION

2. The Executive is asked to:
  - a. Note the projected revenue budget forecast position of a net overspend of £1.09m (excluding potential collection fund losses). An estimated £1.04m is to be received through the sales, fees and charges income compensation scheme which would reduce the forecast net overspend of £49k, as summarised in Table 1 and detailed in Appendix 1.
  - b. Note that the in-year collection fund losses will not impact on the current financial year but will be spread over the next three financial years (2021/24) in line with the Government's proposed change to legislation. Burnley's share of the current in year collection fund loss is estimated at £1.1m.
  - c. Note that the Council, along with other District Council's and industry groups continue to lobby Central Government for additional funding.

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

- d. The latest revised net budget of **£15.693m** as shown in Table 1,
- e. The net transfers to earmarked reserves of **£1.334m** as shown in Appendix 2.

#### REASONS FOR RECOMMENDATION

3. 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**

### **4. 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. At the end of the current reporting period, the forecast year end net budget deficit stands at £49k (excluding the estimated collection fund deficit for the year). This is after taking into consideration £2.486m of direct Central Government funding received to date and estimated income from the sales, fees & charges compensation scheme. The deficit is based upon forecast income and expenditure as at the end of Quarter 3, a time at which there are many future unknowns. The budget is being continually monitored.

The provisional budget settlement 21/22 was announced in December 2020 which provided for a 2.6% increase in core spending power (compared to an England average of 4.5%). In addition, a Lower Tier Services Grant (£182k) was introduced to ensure that no authority has a lower core spending power than in 2020/21 along with a Council Tax Support Grant (£267k). This is an un-ringfenced grant aimed directly at supporting councils to meet the anticipated additional costs of providing Local Council Tax Support in 2021/22, resulting from increased unemployment.

As part of the November 2020 spending review the Government also announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses (with local authorities funding 25% of the loss) as well as an intention to allow 2020/21 collection fund deficits to be spread over three years (currently two years). In addition, the fees & charges income compensation scheme will continue for the first quarter of 2021/22.

### **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 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.

## 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 2019/20 (Appendix 2).

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

At the end of Q3 the net budget forecast is currently £49k deficit (net of the estimated collection fund deficit for the year). 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 £49k 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.

Over recent months 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 £2.486m out of a Central Government fund of £4.43bn. Of our £2.486m allocation, £6k is a ringfenced grant towards tackling homelessness and £79k is ringfenced as part of the 'Re-opening High Streets Safely' scheme. A further £2.106m was received in four tranches: £75k received in Tranche 1 which has been allocated to tackling homelessness, £882k in Tranche 2, £229k in Tranche 3 and £920k in Tranche 4. Tranche 2, 3 and 4 monies are un-ringfenced funding to assist with reductions in income received and additional cost pressures incurred by the Council. Approvals of £60k have already been made from Tranche 4 funding. It was approved that the balance of £860k was transferred into a Covid-19 reserve which can be called upon when required to fund any related additional expenditure or loss of income.

In addition, New Burdens grant funding of £295k has been received to mitigate the costs of administering various business grant schemes: Small Business, Retail, Hospitality & Leisure £190k, Council Tax Hardship & Business Rates Relief £28k and Small Business, Retail, Hospitality & Leisure Discretionary grants £77k. Additional Local Resilience

Supports Grants New Burdens funding of £130k has also been received, however an assessment of requirements is currently being carried so the impact on the budget is not yet known.

8. The Council was successful in its bid for an Arts & Culture Grant, receiving £116k. This money is to offset additional costs incurred at Towneley Hall and as such is not included within the Central Government funding figures identified in the paragraph above.
9. A further £10m Cold Weather Fund for local areas has also recently been announced by Government to enable local authorities to bring forward COVID-secure accommodation this winter. This fund is to provide a robust, local response to support rough sleepers off the streets over the winter period. This funding will be available until March 2021. We are currently awaiting further details of individual council allocations and how the funds can be accessed.
10. Included within the Tranche 3 £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 financial years rather than having to be met in-year (see para 14). Claims for income losses are to be submitted in three tranches: April – July, August – November and December – March. A claim for income losses for the period April to July has been submitted, requesting reimbursement of £0.4m for that period. The claim has been submitted on the basis of the guidance issued by MHCLG and has been verified and approved. A further claim for the period August – November has been submitted requesting compensation of £0.3. This claim is awaiting verification. It is estimated that the value of the claim for December to March will be £0.3m, taking the total to be claimed through the scheme to £1.0m. However, these estimates are based upon many future assumptions around income collection and there are many areas of uncertainty and may change.

#### **11. Council Tax and Business Rates Income (Collection Fund)**

The Government has announced an intention to allow current year collection fund deficits to be spread over three years (currently two years).

Presently the estimated surplus/deficit on the collection fund for the current financial year (to be calculated as at January 2021) will be recovered in 2021/22 and the variance between the estimate and final outturn recovered in 2022/23.

The new proposals relate to estimated deficits only, with estimated surplus continuing to be accounted for under the usual arrangement. Under the new proposals the estimated deficit calculated as at January 2021 will be spread over three financial years. The variance between the estimated deficit and the final outturn will continue to be recovered in 2022/23.

The estimated deficit will be split in equal proportions between the three years. Authorities do not have discretion to opt out of this scheme and it is compulsory to spread any deficit.

The current forecast in year deficit on the collection fund is £1.1m which will impact on the 2021/22 to 2023/24 financial years. Collection rates have not been as low as expected due to the government funded reliefs that have reduced the amounts collectable, however

it is likely that collection rates will be impacted when these schemes come to an end, for example, when Government support reduces.

#### 75% Collection Fund Compensation Scheme

12. As part of the November 2020 spending review the Government announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses, with local authorities funding 25% of the loss.

The compensation guarantee for council tax will predominantly cover expected council tax liability at the time of budget setting for 2020-21, which did not materialise. The compensation will be for net collectable debt adjustments relating to 2020/21 only which may have occurred for example, due to an increase in local council tax support costs or unachieved council tax base growth.

The compensation guarantee for NDR includes the movement in bad debt provision between NNDR 1 estimate and NNDR 3 actual and will also include any prior year adjustments effected in 2020/21.

Central Government expects billing authorities to continue appropriate collection and enforcement action for outstanding collection fund debt in the usual way. The final amount of compensation will be based on the 2020/21 Quarter 4 Return of Council Taxes, National Non-Domestic Rates (NNDR) & Localised Council Tax Support (LCTS).

Table 1: Revenue Budget Forecast Position 2020/21

		Forecast position as at Quarter 2					Forecast position as at Quarter 3					For Info Only		
		Revised Budget £000s	Forecast Q2 £000s	Forecast Net Income from Sales, Fees & Charges £000s	Revised Forecast Q2 £000s	Variance Q2 £000s	Revised Budget £000s	Forecast Q3 £000s	Forecast Net Income from Sales, Fees & Charges £000s	Revised Forecast Q3 £000s	Variance Q3 £000s	Gross Income Loss from Sales, Fees & Charges £000s	Gross Income Loss from Sales, Fees & Charges £000s	Income Loss to be Borne by the Council £000s
a	Economy and Growth	905	1,096	(11)	1,085	180	905	1,023	(11)	1,012	107	15	(11)	4
b	Policy and Engagement	414	446	(22)	424	10	414	447	(22)	425	11	32	(22)	10
c	Management Team	352	352	0	352	0	352	353	0	353	1	0	0	0
d	Sport and Culture Leisure Client	703	1,015	(184)	831	128	703	1,015	(184)	831	128	257	(184)	73
e	Green Spaces and Amenities	952	1,074	(192)	882	(70)	957	1,030	(140)	890	(67)	208	(140)	68
f	Streetscene	3,061	3,602	(355)	3,247	186	3,061	3,605	(408)	3,197	136	604	(408)	196
g	Housing and Development Control	388	611	(107)	504	116	388	624	(35)	589	201	63	(35)	28
h	Strategic Partnership	3,880	3,880	0	3,880	0	3,880	3,920	0	3,920	40	0	0	0
i	Finance and Property	496	1,052	(32)	1,020	524	496	1,077	(31)	1,046	550	50	(31)	19
j	Revenues and Benefits Client	(1,341)	(1,035)	(203)	(1,238)	104	(1,341)	(1,035)	(203)	(1,238)	104	300	(203)	97
k	Legal and Democratic Services	1,063	971	(8)	963	(100)	1,063	974	(8)	966	(97)	10	(8)	3
l	People and Development	207	207	0	207	0	207	207	0	207	0	0	0	0
m	Central Budgets - Other (includes corporate costs eg utilities, apprenticeship levy)	254	448	0	448	194	220	414	0	414	194	0	0	0
	Central Budgets - Savings Targets (see Table 2)	(213)	0	0	0	213	(213)	0	0	0	213	0	0	0
	<b>NET SERVICE BUDGET</b>	<b>11,121</b>	<b>13,720</b>	<b>(1,114)</b>	<b>12,606</b>	<b>1,485</b>	<b>11,092</b>	<b>13,653</b>	<b>(1,042)</b>	<b>12,612</b>	<b>1,520</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Pensions	761	761	0	761	0	761	761	0	761	0	0	0	0
	Provisions (Balance to be determined at year end)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Impairments (Provisions for Bad Debt)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Parish Precepts (Disbursement to Parishes)	166	166	0	166	0	166	166	0	166	0	0	0	0
	Treasury (Investment Income & Expenditure)	879	974	0	974	95	879	974	0	974	95	0	0	0
	Capital Financing	2,492	2,492	0	2,450	0	2,381	2,381	0	2,381	0	0	0	0
	Earmarked Reserves (to / (from))	871	1,791	0	1,791	920	831	1,752	0	1,752	920	0	0	0
	Strategic Reserves (to / (from))	(597)	(597)	0	(597)	0	(417)	(417)	0	(417)	0	0	0	0
	<b>NET CORPORATE ITEMS</b>	<b>4,572</b>	<b>5,587</b>	<b>0</b>	<b>5,544</b>	<b>1,015</b>	<b>4,600</b>	<b>5,616</b>	<b>0</b>	<b>5,616</b>	<b>1,015</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Council Tax	(7,160)	(6,500)	0	(6,500)	660	(7,160)	(6,523)	0	(6,523)	636	0	0	0
	Parish Precepts (Receipts from Council Tax Payers)	(166)	(166)	0	(166)	0	(166)	(166)	0	(166)	0	0	0	0
	Business Rates: Retained Income	(4,513)	(3,985)	0	(3,985)	527	(4,513)	(4,000)	0	(4,000)	513	0	0	0
	Business Rates: S31 Grants (For award of business rates relief)	(1,219)	(1,219)	0	(1,219)	0	(1,219)	(1,219)	0	(1,219)	0	0	0	0
	Prior Year Collection Fund (Surplus)/Deficit	(301)	(301)	0	(301)	0	(301)	(301)	0	(301)	0	0	0	0
	Revenue Support Grant	(1,640)	(1,640)	0	(1,640)	0	(1,640)	(1,640)	0	(1,640)	0	0	0	0
	New Homes Bonus	(694)	(694)	0	(694)	0	(694)	(694)	0	(694)	0	0	0	0
	Other Government Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>FUNDING</b>	<b>(15,693)</b>	<b>(14,505)</b>	<b>0</b>	<b>(14,505)</b>	<b>1,188</b>	<b>(15,693)</b>	<b>(14,543)</b>	<b>0</b>	<b>(14,543)</b>	<b>1,149</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>BUDGET BALANCE</b>	<b>0</b>	<b>4,802</b>	<b>(1,114)</b>	<b>3,645</b>	<b>3,688</b>	<b>0</b>	<b>4,726</b>	<b>(1,042)</b>	<b>3,684</b>	<b>3,684</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Share of £3.2m Homelessness Funding (ringfenced grant)	0	(6)	0	(6)	(6)	0	(6)	0	(6)	(6)	0	0	0
	Tranche 1 - Share of £1.6bn allocated from £5bn Coronavirus Fund – Burnley allocation for homelessness	0	(75)	0	(75)	(75)	0	(75)	0	(75)	(75)	0	0	0
	Tranche 2 - Share of additional £1.6bn funding announced on 18 <sup>th</sup> April 2020 – non-ringfenced grant	0	(882)	0	(882)	(882)	0	(882)	0	(882)	(882)	0	0	0
	Share of £50m Re-opening High Streets Safety Fund (ringfenced grant)	0	(79)	0	(79)	(79)	0	(79)	0	(79)	(79)	0	0	0
	Tranche 3 - Share of additional £500m funding announced on 2nd July 2020- non ring fenced grant	0	(229)	0	(229)	(229)	0	(229)	0	(229)	(229)	0	0	0
	Tranche 4 - Share of additional £919m funding announced on 22nd October 2020- non ring fenced grant	0	(920)	0	(920)	(920)	0	(920)	0	(920)	(920)	0	0	0
	New Burdens Grant Funding - Small Business, Retail, Hospitality & Leisure Grants	0	(190)	0	(190)	(190)	0	(190)	0	(190)	(190)	0	0	0
	New Burdens Grant Funding - CT Hardship & Business Rates Relief	0	0	0	0	0	0	(28)	0	(28)	(28)	0	0	0
	New Burdens Grant Funding - Small Business, Retail, Hospitality & Leisure Discretionary Grants	0	0	0	0	0	0	(77)	0	(77)	(77)	0	0	0
	<b>Forecast Budget Gap Including Collection Fund</b>	<b>0</b>	<b>2,421</b>	<b>(1,114)</b>	<b>1,264</b>	<b>1,307</b>	<b>0</b>	<b>2,240</b>	<b>(1,042)</b>	<b>1,198</b>	<b>1,198</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Less forecast loss on Collection Fund	0	(1,188)		(1,188)	(1,188)	0	(1,149)		(1,149)	(1,149)			
	<b>Forecast Budget Gap Excluding Collection Fund</b>	<b>0</b>	<b>1,233</b>	<b>(1,114)</b>	<b>76</b>	<b>119</b>	<b>0</b>	<b>1,091</b>	<b>(1,042)</b>	<b>49</b>	<b>49</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</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 there is the potential that the operational underspend target will not be achieved. The salary savings target has been achieved due to staff turnover and vacant posts. At present the net forecast budget overspend is £49k. This is after Central Government funding has been taken into consideration and estimated income from the sales, fees & charges compensation scheme. A summary of the in-year targets and the projected budget forecasts categorised by salary and non-salary expenditure as at the end of Q3 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	49	110	24
Non-Salary Savings	(59)	(3,768)	(884)	(16)	(4,727)
<b>TOTAL</b>	<b>(213)</b>	<b>(3,748)</b>	<b>(835)</b>	<b>94</b>	<b>(4,704)</b>
Plus Salary Pay Award					(20)
Less Central Government Funding Received					2,486
Less Estimated Collection Fund Deficit					1,149
Less Estimated Sales, Fees & Charges Compensation Income					1,041
<b>TOTAL SAVINGS YET TO BE IDENTIFIED</b>					<b>(49)</b>

#### Salary Savings Target

The position at the end of Q3 is that £178k of salary savings have been secured to date as can be seen in Table 2 above, exceeding the in-year target by £24k.

#### Non-Salary Savings Target

The latest position is that the estimated balance of non-salary savings yet to be identified is £4.7m.

The combined balance of savings (salary and non-salary) yet to be identified totals £4.7m which is reduced to a net budget deficit of £49k once Central Government funding received to date, collection fund losses and estimated income from the sales, fees & charges compensation scheme have been taken into consideration. The above estimates are based on forecasts at the end of Quarter 3, 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.

## 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: £107k net overspend**

*Previous forecast variance: £180k net overspend*

An estimated (£11k) to be reimbursed under the sales, fees & charges compensation scheme in respect of lost income from rechargeable work.

Increased salary costs £3k due to the 2020/21 pay award.

Reduction in general expenditure on supplies and services in respect of markets management (£5k) along with lower repairs and utilities expenditure (£26k) and forecast reduced expenditure on the purchase of supplies and services (£18k) at the Market Hall. All due the impact of the Covid-19 pandemic on the operation of the Market Hall.

Reduction in staff costs at the Market Hall (£11k) and Regeneration Section (£23k) (inclusive of (£12k) reported in Q2) due to vacant posts. The post with the Market Hall has now been filled however the post within Regeneration is to remain vacant until the end of the financial year. In addition, forecast reduction in the agency and overtime budget (£5k) at the Market Hall.

Reduction in leased/non leased stall income and storage charges at the Market Hall £97k (this is inclusive of the £37k reported in Q1 due to 50% rent and service charge reduction for the period June – September 2020 inclusive). In addition, increased agency staff costs £5k to provide cover for an Officer, 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 printing and stationery (£12k) costs in respect of Burnley Branding as the Burnley Lifestyle magazine is not going to be produced in the same quantities this year (a smaller run may be produced). Offset in part by a reduction in advertising income within the magazine £8k. In addition (£15k) reduction in advertising, marketing and publicity spend offset in full by a reduction in Burnley Bondholders sponsorship income £15k. Estimated reduction in corporate regeneration grants to be paid (£8k) based upon commitments to date.

Reduction in staff costs within the RAPP Management service area (£8k) due to two vacant posts. There are plans to re-recruit to these posts. In addition, various reductions (£4k) in respect of mileage, travelling expenses etc due to the current situation.

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: £11k net overspend**

*Previous forecast variance: £10k net overspend*

Increased salary costs £1k due to the 2020/21 pay award.

Forecast reduction in income from external works carried out by the Graphics Team £32k due to reduced demand in the current climate of which an estimated (£22k) is to be refunded through the sales, fees & charges compensation scheme.

**c. Management Team**

**Forecast Variance: £1k**

*Previous forecast variance: £0k*

Increased salary costs £1k due to the 2020/21 pay award.

**d. Sport and Culture Leisure Client**

**Forecast Variance: £128k net overspend**

*Previous forecast variance: £128k net overspend*

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

The annual Service Level Agreement of £257k for the current year is to be waived to assist Burnley Leisure to meet the budget gap resulting from the coronavirus pandemic. It also reflects the fact that Burnley Leisure have not been able to make full usage of the SLA this year due to the majority of it's staff being placed on furlough during the mandated closure of it's facilities and their heavy involvement with the response work in the borough during the pandemic. The Council is looking to claim (£184k) of the waived SLA income under the sales, fees and charges compensation scheme that would reduce the net cost to the Council to £73k.

Burnley Leisure is facing a potential in year cashflow shortfall of £275k which may require a financial contribution from the Council. The Government has also recently announced a £100m package that would be available for outsourced leisure providers to submit funding bids to recover lost income and additional spending pressures that have arisen due to the coronavirus pandemic. If successful, this may bridge any funding shortfall the Leisure Trust may have. However, any additional financial contribution from the Council would only be made if Burnley Leisure was unable to balance its budget. This would also require approval from Members.

Fees are the major source of income for Burnley Leisure however this income could not be collected during the period that their various facilities were mandated to close at a loss so far projected at £2.75 million. Like many other Leisure Trusts across the country Burnley Leisure is facing significant financial challenges due to the pandemic. The estimated in-year shortfall for Burnley Leisure is a current forecast incorporating the opening of leisure centres in accordance with government guidelines and the ability to earn income. Burnley Leisure has already undertaken a range of measures to help

mitigate the significant loss of income and through use of the Job Retention Scheme, Government Business Grants and the Cultural Recovery Fund have generated around £1 million to offset losses. Burnley Leisure will continue to make best use of these and other opportunities when they arise. The nationally mandated closures in November 2020 and January 2021 will further impact on Burnley Leisure's income and work is currently being undertaken to assess the scale of this.

e. **Green Spaces and Amenities**

**Forecast Variance: £67k net underspend**

*Previous forecast variance: £70k net underspend*

Increased salary costs £4k due to the 2020/21 pay award.

Forecast increase in medical reference fees £4k due to an increase in cremations along with additional overtime incurred £7k at the Cemetery due to weekend burials. In addition, an increase in the repair & purchase of equipment/materials £14k at the Grounds Maintenance workshop/stores.

Salary savings (£89k) due to 2 x vacant post and a reduction in working hours for 2 further posts. One vacant post has been replaced and the other is to remain vacant. The reduction in working hours are permanent and have been reflected in the 2021/22 revenue budget. Offset in part due to additional overtime and Agency costs £11k amongst the Grounds Maintenance and Rangers teams.

The Council is able to claim (£140k) through the sales, fees and charges compensation scheme. This is in respect of events income at Townley, income in respect of hire of the cemetery chapel and purchase of memorial plaques as well as lost income from the hire of football pitches and rechargeable works.

Additional burial and crematorium income (£104k) at the end of Q2, when compared to the same period during 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 are £55k lower than forecast 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.

f. **Streetscene**

**Forecast Variance: £136k net overspend**

*Previous forecast variance: £186k net overspend*

Increased salary costs £3k due to the 2020/21 pay award.

An estimated (£408k) of lost income is claimable under the sales, fees & charges compensation scheme. This is in respect of car parking income, FPN income, licensing and regulatory work income.

Forecast additional income from garden waste collections (£12k) due to demand for the service. In addition, salary savings (£10k) within Engineering Services due to a vacant post. This post is to remain vacant and the savings will be used to carry out a restructure within the service.

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 during the Coronavirus pandemic.

g. **Housing and Development Control**

**Forecast Variance: £201k net overspend**

*Previous forecast variance: £211k net overspend*

Forecast increase in Agency costs £10k to provide additional Covid-19 resources.

Increased salary costs £4k due to the 2020/21 pay award.

An estimated (£35k) of lost income can be claimed under the sales, fees & charges compensation scheme in respect of lost planning fee and renovation grant fee income.

Increased net service charge £11k in respect of the building control shared service arrangement with Blackburn with Darwen Council.

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**

*Previous forecast variance: £0k*

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

**i. Finance and Property**

**Forecast Variance: £550k net overspend**

*Previous forecast variance: £524k net overspend*

Forecast salary savings due to a vacant post (£13k). Recruitment is currently under way to fill the vacancy.

Increased salary costs £3k due to the 2020/21 pay award.

An estimated (£31k) of lost income can be claimed through the sales, fees & charges compensation scheme. This is in respect of bus station departure income and reduction in room hire income at the Town Hall.

Reduction in salary costs due to two vacant posts (£3k). Both posts have been filled.

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 £535k 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: £104k net overspend**

*Previous forecast variance: £104k net overspend*

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

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. It is estimated that (£203k) of this reduced income can be recovered through the sales, fees & charges compensation scheme.

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

**k. Legal and Democratic Services**

**Forecast Variance: (£97k) net underspend**

*Previous forecast variance: (£100k) net underspend*

Increased salary costs £2k due to the 2020/21 pay award.

An additional £1k printing & stationery costs due to an increased need to print meeting agendas as meetings are held remotely.

Reduction in legal fee income £11k due to reduced demand for the service in the current climate of which it is estimated (£8k) will be reimbursed under the sales, fees & charges compensation scheme. The previous reduction in land charges income forecast in Q1 has been reversed (£25k) as the property market has not slowed as originally anticipated and income levels are in line with the budget estimate.

There were no borough elections to be held in 20/21 resulting in a reduction in forecast spend (£74k).

Additional Agency Fee costs £12k in excess of those forecast in quarter 1 to provide staffing cover during a period of illness.

A re-tender of the Council's insurance services has resulted in a forecast net underspend (£75k). Offset in part by £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**

*Previous forecast variance: £0k*

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

**m. Central Budgets**

**Forecast Variance: £194k net overspend**

*Previous forecast variance: £194k net overspend*

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

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**

*Previous forecast variance: £95k net overspend*

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

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: £1,149k net overspend**

*Previous forecast variance: £1,118k net overspend*

Income collected from council tax and business rates is slightly higher than previously anticipated with an additional (£38k) council tax and (£37k) business rates. This includes the increase to forecast income previously reported in Q2 (council tax (£14k) and business rates (£23k)). As mentioned in paragraph 14 the shortfall in collection fund income will not impact on the current financial year but will impact on the following three financial years (2021/22 to 2023/24).

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 a reduced Government support package and 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:

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	TOTAL
	£000	£000	£000	£000
Balance as at 01/04/20	(1,808)	(2,124)	(5,600)	(9,532)
Movement in Q1	(750)	-	(930)	(1,680)
Drawn down in Q2	8	1,339	(861)	485
Drawn down in Q3	6	(185)	40	(140)
Balance as at 31/12/20	(2,545)	(970)	(7,352)	(10,866)

When the 2020/21 budget was prepared it was not proposed to use reserves to support revenue expenditure.

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**

Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £1.416m. This is where revenue funds are used to finance capital schemes. The contribution of £1.416m relates to vehicle and machinery replacement (£160k), Pioneer Place (£135k), Burnley-Pendle Growth Programme (£722k), Lower St James St Historic Action Zone (£215k), Finsley Wharf & Canal Towpath improvements (£33k), building infrastructure works (£141k) 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

<b>BACKGROUND PAPERS</b>
--------------------------

**20.** None

<b>FURTHER INFORMATION</b>
----------------------------

**Howard Hamilton-Smith – Head of Finance and Property**

**PLEASE CONTACT:**

**ALSO**

**Amy Johnson – Finance Manager**