

Revenue Monitoring Report 2021/22 – Quarter 2 (to 30 September 2021)

REPORT TO EXECUTIVE



DATE	01 December 2021
PORTFOLIO	Resources and Performance Management
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PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2022 based upon actual spending and income to 30 September 2021.
2. Members are asked to note the financial impact of the Coronavirus pandemic as can be seen in paragraph 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 £86k, as summarised in Table 1 and detailed in Appendix 1.
 - b. Note that further income compensation is to be received for the period April – June 2021. 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 paragraph 13 for further details.
 - c. Approve the establishment of a new collection fund deficit reserve. See paragraph 6 for further details.

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

- d. The latest revised net budget of **£15.419m** as shown in Table 1, and
- e. The net transfers from earmarked reserves of **£2.166m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2021/22 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 a continuation of the 2020/21 financial year with the focus instead being on the forecast reductions in income and increases in expenditure together with an evaluation of progress against savings targets. Due to the continuing uncertainty around the pandemic, it is difficult to predict the ongoing impact on the potential year end outturn. At the end of the current reporting period, the forecast year end net budget deficit stands at £86k, which is reduced from the £195k overspend as reported at Q1. This is after taking into consideration an estimated £0.237m to be reclaimed under the Sales, Fees and Charges Compensation Scheme and £0.719m of direct Central Government funding received to date. The deficit is based upon forecast income and expenditure as at the end of Quarter 2, a time at which there are many future unknowns. The budget is being continually monitored.

Members will recall that £0.860m from Tranche monies received in 2020/21 was set aside in an earmarked reserve to help cover for any future shortfalls in income/increases in expenditure. The current forecast deficit will initially be met from the Central Government funding received to date, with the balance from the monies set aside in 2020/21. Due to the uncertainty of the pandemic, the Council is only able to focus on the short-term impact of the pandemic with the long-term impact still uncertain. There is the potential for increased costs and income losses over the longer term.

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 2021/22. 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 2020/21 (Appendix 2).

Members are asked to approve the latest revised net budget of £15.419m 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 Q2 and the anticipated variance.

At the end of Q2 the net budget forecast is currently £86k deficit, this is a reduction from the £195k forecast overspend reported in Q1. Incorporated into the budget are two savings targets: a £169k salary savings target and a £79k 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 £86k 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. Members will recall that savings totalling £0.182m were built in to the 2021/22 revenue budget to ensure that a balanced budget was achieved. As part of the budget monitoring process, progress against the achievement of these savings is to be monitored in year, details of which can be seen below:

Description	Saving £000	Progress of Achievement
Reduction in Growth Lancashire subscription costs	13	Fully achieved. Subscription payment reduced.
Reduction in Regeneration Development consultancy support budget	11	Forecast to achieve. Budget to continue to be monitored.
Streetscene restructure and deletion of vacant posts	10	Fully achieved. Restructure complete.
Back-office efficiency savings within Green Spaces	6	Forecast to achieve. Budget to continue to be monitored.
Savings from the flexible retirement of 1 x post	35	Fully achieved.
Capitalisation of one officer remuneration costs within Empty Homes	28	Fully achieved.
Operational Budget Savings - Streetscene	10	Forecast to achieve. Budget to continue to be monitored.
Re-tender Stables Café at increased rent	10	Fully achieved. Target income achieved.
Thompson Park pavilion rent	5	Budget to continue to be monitored.
Efficiency savings - Burnley Leisure	50	Fully achieved. Leisure Trust SLA agreed.
Reduce Parish Council Grants in line with funding reductions	4	Fully achieved. Parish grants reduced in line with saving required.
TOTAL	182	

10. In February 2021 the Government announced details of £1.55 billion of un-ringfenced grant to support local authorities in 2021/22. Of this allocation, Burnley's share was £0.719m. In addition, an extension to the Sales, Fees & Charges Compensation Scheme for the first quarter of 2021/22 was also announced.
11. 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.
12. As previously mentioned the Government announced an extension to the 2020/21 Sales, Fees & Charges Compensation Scheme into the first quarter of 2021/22. 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. Based on the estimated losses of income identified in this report, it is estimated that £237k can be claimed under the scheme.

Table 1: Revenue Budget Forecast Position 2021/22

		Reconciliation of Approved Budget & Funding	Forecast position as at Quarter 1						Forecast position as at Quarter 2				
		Net Budget 2021/22	Revised Budget	Forecast Q1	Forecast Net Income from Sales, Fees & Charges	Revised Forecast Q1	Variance Q1		Revised Budget	Forecast Q2	Forecast Net Income from Sales, Fees & Charges	Revised Forecast Q2	Variance Q2
		£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
a	Economy and Growth	616	774	844	0	844	70		802	819	0	819	17
b	Policy and Engagement	441	700	710	(7)	703	3		826	850	(7)	843	18
c	Management Team	361	361	361	0	361	0		361	361	0	361	0
d	Sport and Culture Leisure Client	728	899	899	0	899	(0)		899	899	0	899	0
e	Green Spaces and Amenities	1,067	1,177	1,261	(50)	1,211	34		1,178	1,289	(50)	1,239	62
f	Streetscene	3,125	3,201	3,509	(57)	3,452	251		3,203	3,511	(57)	3,454	251
g	Housing and Development Control	458	669	687	(22)	665	(3)		669	687	(22)	665	(3)
h	Strategic Partnership	3,935	3,916	3,916	0	3,916	0		3,916	3,916	0	3,916	0
i	Finance and Property	532	532	957	0	957	425		555	866	0	866	311
j	Revenues and Benefits Client	(1,287)	(1,287)	(1,055)	(101)	(1,156)	131		(1,287)	(1,055)	(101)	(1,156)	131
k	Legal and Democratic Services	1,015	1,017	979	0	979	(38)		1,017	994	0	994	(23)
l	People and Development	235	235	235	0	235	0		235	235	0	235	0
m	Central Budgets - Other (includes corporate costs eg utilities, apprenticeship levy)	890	2,132	2,132	0	2,132	0		2,009	2,009	0	2,009	0
	Central Budgets - Savings Targets (see Table 2)	(248)	(248)	(248)	0	(248)	0		(248)	(248)	0	(248)	0
NET SERVICE BUDGET		11,869	14,077	15,186	(237)	14,949	872		14,132	15,132	(237)	14,895	763
Pensions		772	772	772	0	772			772	772	0	772	0
Provisions (Balance to be determined at year end)		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
Parish Precepts (Disbursement to Parishes)		169	169	169	0	169	0		169	169	0	169	0
Treasury (Investment Income & Expenditure)		951	951	992	0	992	41		951	991	0	991	41
Capital Financing		1,240	1,996	1,996	0	1,996	0		1,996	1,996	0	1,996	0
Earmarked Reserves (to / (from))		(131)	(2,547)	(2,547)	0	(2,547)	0		(2,602)	(2,602)	0	(2,602)	0
Strategic Reserves (to / (from))		550	1	1	0	1	0		1	1	0	1	0
NET CORPORATE ITEMS		3,551	1,342	1,383	0	1,383	41		1,287	1,327	0	5,544	41
Council Tax		(7,266)	(7,266)	(7,266)	0	(7,266)	0		(7,266)	(7,266)	0	(7,266)	0
Parish Precepts (Receipts from Council Tax Payers)		(169)	(169)	(169)	0	(169)	0		(169)	(169)	0	(169)	0
Business Rates: Retained Income		(4,513)	(4,513)	(4,513)	0	(4,513)	0		(4,513)	(4,513)	0	(4,513)	0
Business Rates: S31 Grants (For award of business rates)		(1,442)	(1,442)	(1,442)	0	(1,442)	0		(1,442)	(1,442)	0	(1,442)	0
Prior Year Collection Fund (Surplus)/Deficit		632	632	632	0	632	0		632	632	0	632	0
Revenue Support Grant		(1,649)	(1,649)	(1,649)	0	(1,649)	0		(1,649)	(1,649)	0	(1,649)	0
New Homes Bonus		(564)	(564)	(564)	0	(564)	0		(564)	(564)	0	(564)	0
Other Government Grants		(449)	(449)	(449)	0	(449)	0		(449)	(449)	0	(449)	0
FUNDING		(15,419)	(15,419)	(15,419)	0	(15,419)	0		(15,419)	(15,419)	0	(15,419)	0
BUDGET BALANCE		(0)	(0)	1,149	(237)	913	913		(0)	1,040	(237)	5,020	804
LA Support Grant Allocations 21/22		0	0	(719)	0	(719)	(719)		0	(719)	0	(719)	(719)
Forecast Budget Gap Excluding Collection Fund		(0)	(0)	430	(237)	195	195		(0)	321	(237)	4,301	86

13. SAVINGS TARGETS

As previously mentioned, in setting the budget it was assumed that two savings targets would be achieved: £169k salary savings from not filling posts immediately and £79k in year savings/additional income target. In light of the financial pressures incurred as a result of the Coronavirus pandemic the operational underspend target may not be achieved. The salary savings target may be achieved due to staff turnover and vacant posts. At present the forecast budget overspend is £86k. 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 Q2 can be seen in Table 2 below:

Table 2: Summary of Corporate Savings				
Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Balance of Savings yet to be Identified
	£000	£000		£000
Salary Savings	(169)	21	25	(123)
Non-Salary Savings	(79)	0	0	(79)
Shortfall in Income/Increases in Expenditure	0	(536)	(133)	(669)
TOTAL	(248)	(515)	(108)	(872)
Less Sales, Fees and Charges Compensation				237
Less Central Government Received				719
TOTAL SAVINGS YET TO BE IDENTIFIED				(86)

Salary Savings Target

The position at the end of Q2 is that £46k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £123k to identify throughout the remainder of the year.

Non-Salary Savings Target

Due to pressures on income and expenditure due to the Covid-19 pandemic no savings have been identified towards the non-salary savings target at this stage. Any savings identified have been offset by increases in expenditure.

Additional shortfalls in income/increases in expenditure of £669k have been identified.

The combined balance of savings (salary, non-salary and additional shortfalls in income/expenditure) yet to be identified totals £872k which is reduced to a net budget deficit of £86k once Central Government funding received to date has been taken into consideration. The above estimates are based on forecasts at the end of Quarter 2, 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.

15. SERVICE REPORTS

15.1 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: £17k net overspend

Previous forecast variance: £70k net overspend

Salary savings (£11k) due to a vacant post which has now been filled. In addition, salary savings (£6.5k) due to a new employee starting on a lower SCP than estimated when the budget was prepared.

Reduction in advertising expenditure across the Market Hall and Market (£15k) due to incoming tenants contributing to advertising costs. Also reductions across various spend areas within the market hall (£27k), mainly around repairs as tenants contribute to repair costs plus a planned replacement of the compactor is no longer taking place, the compactor is instead going to be repaired.

Reduction in stall income and service charge income at the Market Hall (£69k) based on the number of stalls occupied to date (leased and non-leased). There are a number of leases due for renewal this year, which if renewed may partially reverse this estimate. In addition, the take up of non-leased stall occupation may increase once the impact of the pandemic starts to subside. Forecast reduction in storage and utility recharges (£7.5k) due to current occupation levels.

b. Policy and Engagement

Forecast Variance: £18k net overspend

Previous forecast variance: £3k net overspend

Further reduction in Graphics external income (£15k) in addition to the (£10k) reduction reported in Q1 due to reduced demand as a result of the pandemic of which it is estimated that £7k can be claimed under the Sales, Fees & Charges Compensation Scheme, which has been reflected in the net overspend figure above.

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: £0k net overspend

Previous forecast variance: £0k

Quarter 2 has continued in a positive light for the Leisure Trust with customers returning to the leisure facilities being greater than projected. The return of hospitality has been good, albeit hindered by the lack of quality and available staff. This has meant that the 1855 Kitchen and Bar at the Mechanics has remained closed until the 13th October 2021. The other sites are operating, and we are seeing more confidence in customers beginning to return. There is concern around securing supply of food and drink with the ongoing shortages of drivers and products. External funding has been obtained for a

number of health related initiatives in partnership with the Council and others. This funding falls under restricted funds and can only be used for the specific delivery purposes. Given all this a £300k shortfall is still projected, however this will be reviewed at the end of Quarter 3.

e. Green Spaces and Amenities

Forecast Variance: £62k net overspend

Previous forecast variance: £34k net overspend

Increase in the workshop and stores contract costs (£12k) due to an increase in tractor hire contract costs. Offset in part by additional income to be received for the ice cream licence (£7k).

Further reduction in Towneley admission and events income (£23k) in addition to the reduction reported in Q1 (£17k) due to the hall being closed until mid-May and reduced footfall since its re-open. Also reduced football income (£2k). It is estimated that £14k can be claimed under the Sales, Fees and Charges Compensation Scheme.

Reduced burial/cremation income (£65k), consisting of interment/cremation income, erection of monument and wall plaques. Due to the increase in need in 2020/21 due to the pandemic, it is forecast that there will be a reduced need in the current financial year. It is estimated that £36k can be claimed under the Sales, Fees and Charges Compensation Scheme, which has been reflected in the net overspend figure above.

f. Streetscene

Forecast Variance: £251k net overspend

Previous forecast variance: £251k net overspend

No issues or concerns to report this quarter.

Additional recharge income (£2k) from the household waste contract to reflect the current services offered, offset by additional expenditure in relation to the Dog Warden contract (£7k), again to reflect the services offered.

Reduction in licences income (£15k), of which it is estimated that £10k can be claimed under the Sales, Fees and Charges Compensation Scheme.

Reduction in recharge income and FPN income (£4k) of which it is estimated that £3k can be claimed under the Sales, Fees and Charges Scheme.

Reduction in car parking income (£283k), in part due to the 'Free after 3' Scheme and also due to period of 'lockdown' leading to reduced footfall in the town centre. Of this reduction in income £23.6k is attributable to the 'Free after 3' scheme. This is lower than the £27k loss estimated when the scheme was approved. It is estimated that £44k of lost car park income can be claimed under the Sales, Fees and Charges Compensation scheme (the losses attributable to the 'Free after 3' scheme cannot be claimed for), which has been reflected in the net overspend figure above.

g. Housing and Development Control

Forecast Variance: £3k net underspend

Previous forecast variance: £3k net underspend

No issues or concerns to report this quarter.

An estimate of Building Control joint working fees between the Council and Blackburn with Darwen Borough Council are calculated annually and reconciled at year end. Following the annual reconciliation of 2020/21 charges paid (£14k) has been repaid to the Council as an overpayment.

Reduction in renovation grant income (£33k) due to a reduction in grants carried out due to the pandemic. It is estimated that £22k can be claimed under the Sales, Fees and Charges Compensation Scheme, which has been reflected in the net overspend figure above.

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: £311k net overspend

Previous forecast variance: £425k net overspend

Salary savings (£21k) in respect of 3 vacant posts. One post has been filled and the recruitment process to replace the remaining two is currently progressing.

Reduction in the previously declared increase to the provision for bad debts on property rental income (£100k) from £430k to £330k. Reduction in bus station departure income (£2k).

j. Revenues and Benefits Client

Forecast Variance: £131k net overspend

Previous forecast variance: £131k net overspend

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

Reduced revenues and benefits court fee income (£232k) due to a reduction in the number of court sessions held. It is estimated that £101k can be claimed under the Sales, Fees and Charges Compensation Scheme, which has been reflected in the net overspend figure above.

k. Legal and Democratic Services

Forecast Variance: £23k net underspend

Previous forecast variance: £38k net underspend

Increase in salary costs (£8k) to pay for honoraria payments, agency and overtime costs to cover vacant posts/sickness absence.

Additional election costs (£2k) due to the need to purchase equipment to ensure covid compliance.

Civic events expenditure (£5k) to fund the Aldermand & Freedom special council & award celebration.

Forecast reduction in insurance costs (£40k) based on estimated renewal costs.

Reduced income from the hire of rooms at the Town Hall (£2k) due to the Hall Closure.

l. People and Development

Forecast Variance: £0k net overspend

Previous forecast variance: £0k

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

m. Central Budgets

Forecast Variance: £0k net overspend

Previous forecast variance: £0k

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

n. Corporate Items

Forecast Variance: £41k net overspend

Previous forecast variance: £41k net overspend

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

The early repayment of a long-term loan has resulted in a reduction in interest income to be received (£40k). In addition, an estimated increase in treasury management consultant fees payable (£1k) following the completion of a contract benchmarking exercise.

o. Funding

Forecast Variance: £719k net underspend

Local Authority support grant received to help fund the ongoing costs of Covid-19.

16. 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:

Table 3: Summary of Reserves				
	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	TOTAL
	£000	£000	£000	£000
Balance as at 01/04/21	(1,992)	(1,538)	(18,176)	(21,706)
Movement in Q1	(550)	549	2,032	2,031
Drawn down in Q2	-	-	135	135
Balance as at 30/09/21	(2,542)	(989)	(16,009)	(19,540)

Please note the 'Other Earmarked Reserve' opening balance has changed since Q1 due to year end transactions.

Included within the reserve balance above is the £0.860m from Tranche monies received in 2020/21 that was set aside to help cover for any future shortfalls in income/increases in expenditure.

Any savings proposals for 2021/22 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.

17. CAPITAL FINANCING

- 17.1 Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £0.777m. This is where revenue funds are used to finance capital schemes. The contribution of £0.777m relates to vehicle and machinery replacement (£175k), refill fountains (£21k), Pioneer Place (£63k), Burnley-Pendle Growth Programme (£300k), Lower St James St Historic Action Zone (£185k) and Finsley Wharf & Canal Towpath improvements (£33k).

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

18. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

20. Scrutiny Committee

BACKGROUND PAPERS

21. None

FURTHER INFORMATION

PLEASE CONTACT:

Howard Hamilton-Smith – Head of Finance and Property

ALSO

Amy Johnson – Finance Manager