

Revenue Monitoring Report 2021/22 – Quarter 3 (to 31 December 2021)

REPORT TO EXECUTIVE



DATE	14 February 2022
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 31 December 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 £12k, as summarised in Table 1 and detailed in Appendix 1.

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

- b. The latest revised net budget of **£15.419m** as shown in Table 1, and
- c. The net transfers from earmarked reserves of **£2.166m** as shown in Appendix 2.
- d. The carry forward of forecast unspent budgets as requested by Heads of Service in Appendix 3. These amounts totalling £160k and are to be transferred into the Carry Forward Reserve. The monies will be transferred back out to create additional revenue budgets in 2022/23 or when required.

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 £12k, which is reduced from the £86k overspend as reported at Q2. 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 3, a time at which there are many future unknowns. The budget is being continually monitored.

Members will recall that it was approved through the Revenue Outturn Report at Full Council in July 2021 to transfer £1.6m into the Covid-19 reserve. The reserve has been called upon in 2021/22 to fund related additional expenditure or loss of income and to provide funding for recovery initiatives. New Burdens funding has been received during 2021/22 of £173k, it is proposed to transfer this into the Covid-19 reserve. It is forecast that there will be a balance of £1.4m available at the end of 2021/22 for use in 2022/23 and future years.

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 third 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 2021/22 (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 Q3 and the anticipated variance.

At the end of Q3 the net budget forecast is currently £12k deficit, this is a reduction from the £86k forecast overspend reported in Q2. 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 £12k 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	Forecast position as at					Forecast position as at					
	Approved Budget & Funding	Quarter 2					Quarter 3					
	Net Budget 2021/22	Revised Budget	Forecast Q2	Forecast Net Income from Sales, Fees & Charges	Revised Forecast Q2	Variance Q2	Revised Budget	Forecast Q3	Forecast Net Income from Sales, Fees & Charges	Revised Forecast Q3	Variance Q3	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
a	Economy and Growth	616	802	819	0	819	17	817	768	0	768	(49)
b	Policy and Engagement	441	826	850	(7)	843	18	1,081	1,083	(7)	1,076	(6)
c	Management Team	361	361	361	0	361	0	361	355	0	355	(6)
d	Sport and Culture Leisure Client	728	899	899	0	899	0	899	899	0	899	0
e	Green Spaces and Amenities	1,067	1,178	1,289	(50)	1,239	62	1,178	1,287	(50)	1,237	59
f	Streetscene	3,125	3,203	3,511	(57)	3,454	251	3,203	3,357	(57)	3,300	97
g	Housing and Development Control	458	669	687	(22)	665	(3)	764	783	(22)	761	(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	555	866	0	866	311	554	959	0	959	405
j	Revenues and Benefits Client	(1,287)	(1,287)	(1,055)	(101)	(1,156)	131	(1,297)	(1,065)	(101)	(1,166)	131
k	Legal and Democratic Services	1,015	1,017	994	0	994	(23)	1,017	995	0	995	(21)
l	People and Development	235	235	235	0	235	0	235	235	0	235	0
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	890	2,009	2,009	0	2,009	0	1,813	1,813	0	1,813	0
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(248)	(248)	(248)	0	(248)	0	(248)	(248)	0	(248)	0
	NET SERVICE BUDGET	11,869	14,132	15,132	(237)	14,895	763	14,292	15,134	(237)	14,898	607
	Pensions	772	772	772	0	772	0	772	772	0	772	0
	Provisions <i>(Balance to be determined at year end)</i>	0	0	0	0	0	0	0	0	0	0	0
	Impairments <i>(Provisions for Bad Debt)</i>	0	0	0	0	0	0	0	0	0	0	0
	Parish Precepts <i>(Disbursement to Parishes)</i>	169	169	169	0	169	0	169	169	0	169	0
	Treasury <i>(Investment Income & Expenditure)</i>	951	951	991	0	991	41	951	1,076	0	1,076	125
	Capital Financing	1,240	1,996	1,996	0	1,996	0	1,996	1,815	0	1,815	(181)
	Earmarked Reserves (to / (from))	(131)	(2,602)	(2,602)	0	(2,602)	0	(2,762)	(2,581)	0	(2,581)	181
	Strategic Reserves (to / (from))	550	1	1	0	1	0	1	1	0	1	0
	NET CORPORATE ITEMS	3,551	1,287	1,327	0	1,327	41	1,127	1,252	0	1,252	125
	Council Tax	(7,266)	(7,266)	(7,266)	0	(7,266)	0	(7,266)	(7,266)	0	(7,266)	0
	Parish Precepts <i>(Receipts from Council Tax Payers)</i>	(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 <i>(For award of business rate relief)</i>	(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)	1,040	(237)	803	804	(0)	967	(237)	731	732
	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)	321	(237)	84	86	(0)	248	(237)	12	12

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 £12k. 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 Q3 can be seen in Table 2 below:

Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Savings Forecast Q3	Balance of Savings yet to be Identified
	£000	£000			£000
Salary Savings	(169)	21	25	97	(26)
Non-Salary Savings	(79)	0	0	0	(79)
Shortfall in Income/Increases in Expenditure	0	(536)	(133)	(169)	(838)
TOTAL	(248)	(515)	(108)	(72)	(944)
Less Sales, Fees and Charges Compensation					237
Less Central Government Received					719
TOTAL SAVINGS YET TO BE IDENTIFIED					(12)

Salary Savings Target

The position at the end of Q3 is that £143k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £26k 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 £838k have been identified.

The combined balance of savings (salary, non-salary and additional shortfalls in income/expenditure) yet to be identified totals £944k which is reduced to a net budget deficit of £12k once Central Government funding received to date has 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: £49k net underspend

Previous forecast variance: £17k 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 (£23k) due to incoming tenants contributing to advertising costs. Also reductions across various spend areas within the market hall (£60k), 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 (£38k) 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. Other running costs are projected to be (£6k)

b. Policy and Engagement

Forecast Variance: £6k net underspend

Previous forecast variance: £18k net overspend

An underspend projected of (£13k) in grant expenditure. A reduction in Graphics external income (£14k) 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: £6k net underspend

Previous forecast variance: £0k

There are underspends projected for Staff Training (£2k), Printing and Stationery and Mobile costs (£2k) and Travelling Expenses (£1k)

d. Sport and Culture Leisure Client

Forecast Variance: £0k net overspend

Previous forecast variance: £0k

Despite the emergence of omicron Quarter 3 has continued to see good trading for the Leisure Trust, albeit not quite at the level the Trust had hoped before restrictions were imposed. Leisure facilities have continued to trade strongly, and fitness memberships have recently recovered to pre-covid levels, however the Trust continues to remain

cautious in view of increased competition. The Christmas events across all Leisure sites performed strongly and this was due to the mitigating controls put in place. The Trust did however experience a drop in numbers and therefore revenue was less than anticipated.

Staffing at the Leisure Trust has continued to be an issue in terms of recruitment. The additional strain of staff having to isolate for omicron have added to these problems. Praise has been given to all staff who have gone above and beyond to ensure facilities and services remained open and available. The projections for the end of the year, barring any further restrictions, are that the Trust will have balanced budget.

e. Green Spaces and Amenities

Forecast Variance: £59k net overspend

Previous forecast variance: £62k net overspend

Salary savings projected of (£60k) This is mainly from vacant posts and flexible retirement offset by some increase in overtime.

Increase in the workshop and stores contract costs (£12k) due to an increase in tractor hire contract costs.

Reduction in Towneley admission and events income (£42k) due to the hall being closed until mid-May and reduced footfall since its re-open. It is estimated that (£14k) can be claimed under the Sales, Fees and Charges Compensation Scheme.

Reduced burial/cremation income (£115k), 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: £97k net overspend

Previous forecast variance: £251k net overspend

Salary savings (£70k) due to vacant Senior Engineer post and Degree Apprentice post.

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.

Car parking income has moved from (£283k) in Q2 to (£248k) in Q3. The reduced income is mainly due to period of 'lockdown' leading to reduced footfall in the town centre. A minor proportion is attributable to the 'Free after 3' scheme £23.6k. 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. There are (£25k) reduction in contractor costs due to no activity on parking surveys.

The Garden Waste and Bulkies service has projected an increase in income of (£20k)
Other running costs are projected to be (£2k)

g. Housing and Development Control

Forecast Variance: £3k net underspend

Previous forecast variance: £3k net underspend

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 (£47k) 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.

The net costs of Temp Accommodation and Housing Benefits Received are projecting a (£55k) shortfall.

Planning Fee income is projected at (£69k) The projected income increase is due to a significant and sustained increase in the number of planning applications that have been submitted to the local planning authority throughout the year.

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: £405k net overspend

Previous forecast variance: £311k net overspend

Salary savings (£21k) in respect of 3 vacant posts. Two post's have been filled and the recruitment process to replace the remaining one is currently progressing.

Reduction in the previously declared increase to the provision for bad debts on property rental income £51k from (£430k) to (£379k) Reduction in bus station departure income (£2k).

Software costs for Civica financial hosted system is projecting a cost of (£34k)

Following the acquisition Charter Walk, revenue budgets have been established to account for various income and expenditure streams. It is estimated that the centre will generate a net surplus of around £0.5m. This will be transferred into a reserve which has been established to mitigate any future fluctuations in income and expenditure and provide for future regeneration of the town centre.

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: £21k net underspend

Previous forecast variance: £23k net underspend

Increase in salary costs (£8k) to pay for honoraria payments, agency and overtime costs to cover vacant posts/sickness absence. Increase in training costs of (£2k)

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: £125k net overspend

Previous forecast variance: £41k net overspend

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.

The postponement of temporary investment with Burnley College has led to (£85k) shortfall in interest income.

o. **Funding**

Forecast Variance: £719k net underspend

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

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:

	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
Drawn down in Q3	-	-	-	-
Balance as at 31/12/21	(2,542)	(989)	(16,009)	(19,540)

Any savings proposals for 2022/23 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 £0.596m. This is where revenue funds are used to finance capital schemes. The contribution of £0.596m relates to vehicle and machinery replacement (£160k), refill fountains (£21k), Burnley-Pendle Growth Programme (£300k), Lower St James St Historic Action Zone (£82k) and Finsley Wharf & Canal Towpath improvements (£33k).

17. CARRY FORWARD REQUESTS

17.1 Carry forward requests totalling £160k have been received from Budget Holders, details of which can be seen in Appendix 3. These amounts totalling £160k to be transferred into the Carry Forward reserve and transferred back out to create additional revenue budgets in 2022/23 or when required.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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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. None

BACKGROUND PAPERS

21. None

FURTHER INFORMATION

PLEASE CONTACT:

Howard Hamilton-Smith – Head of Finance and Property

ALSO

Adil Ahmed – Principal Accountant