

## Revenue Monitoring Report 2022/23 – Quarter 1 (to 30 June 2022)

### REPORT TO EXECUTIVE



DATE	21 September 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 2023 based upon actual spending and income to 30 June 2022.
2. Members are asked to note the financial impact of the Coronavirus pandemic and the cost-of-living crisis 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 £149k, 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 **£15.322m** as shown in Table 1, and
- c. The net transfers from earmarked reserves of **£3.175m** as shown in Appendix 2.

#### REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2022/23 as part of the effective governance of the Council and to ensure that appropriate management action is taken to ensure a balanced financial position. The Council expects to close the budget gap by the end of the financial year as it has done in previous years.

## SUMMARY OF KEY POINTS

### 5. Financial Impact of Covid -19 and the cost-of-living crisis

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 uncertainty around the ongoing impact of the Coronavirus pandemic and the current cost-of-living crisis, this year is a continuation of the 2021/22 financial year with the focus being on the forecast reductions in income and increases in expenditure together with an evaluation of progress against savings targets. It is therefore 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 £149k. 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.

Members will recall that £1.175m was set aside in a Covid-19 earmarked reserve over the past two years to help cover for any future shortfalls in income/increases in expenditure materialising as a result of the pandemic. Due to the uncertainty of the post pandemic costs, the Council is only able to focus on the short-term impact with the long-term impact still uncertain. There is the potential for increased costs and income losses over the longer term.

The current increases in inflation above the Bank of England's target of 2%, will have a future impact on the Council's budget position, both in respect of increased costs and potentially reduction in income as residents of the borough may have less available household spend. Of particular concern to the Council are increases to energy, fuel and external contract costs. To help mitigate the future impact the Council has set aside £197k at the end of 2021/22 in an earmarked reserve to help fund any future fluctuations in energy costs. The levels of inflation factored into future year's budgets will also be kept under regular review to ensure that they are reflective of the current economic climate.

### 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 2022/23. 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 £15.322m 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 £149k deficit. 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, however due to the continuing uncertainty around the pandemic and cost of living crisis the focus is on the forecast reductions in income and increases in expenditure together with an evaluation of progress against savings targets. The net budget forecast of £149k 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 the current cost-of-living crisis 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 £0.139m were built in to the 2022/23 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
Savings from the flexible retirement of 1 post	14	Achieved by offsetting against vacant post.
Commercial Trade Waste Service - to deliver a £20k net saving based on income predictions on subscriptions to the service (net of operational costs)	20	Fully achieved. Target income achieved.

To reduce the existing waste contingency budget from £100k to £60k pa	40	Forecast to achieve. Budget to continue to be monitored.
Strategic Partnership - Efficiency saving following flexible retirement	15	Fully achieved.
Savings on insurance contract	50	Fully achieved.
<b>TOTAL</b>	<b>139</b>	

10. 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.

**Table 1: Revenue Budget Forecast Position 2022/23**

		Reconciliation of Approved Budget & Funding	Forecast position as at Quarter 1		
		Net Budget 2022/23 £000s	Revised Budget £000s	Forecast Q1 £000s	Variance Q1 £000s
a	Economy and Growth	734	734	734	0
b	Policy and Engagement	459	469	469	0
c	Management Team	373	373	373	0
d	Sport and Culture Leisure Client	805	805	805	0
e	Green Spaces and Amenities	1,251	1,251	1,262	11
f	Streetscene	3,159	3,159	3,235	77
g	Housing and Development Control	511	560	560	0
h	Strategic Partnership	4,033	4,033	4,033	0
i	Finance and Property	626	602	590	(12)
j	Revenues and Benefits Client	(1,329)	(1,329)	(1,329)	0
k	Legal and Democratic Services	1,079	1,113	1,116	3
l	People and Development	243	243	243	0
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	685	672	672	0
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(248)	(248)	(248)	0
	<b>NET SERVICE BUDGET</b>	<b>12,381</b>	<b>12,437</b>	<b>12,516</b>	<b>79</b>
	Pensions	784	784	784	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>	169	169	169	0
	Treasury <i>(Investment Income &amp; Expenditure)</i>	1,081	1,081	1,151	70
	Capital Financing	1,444	2,175	2,175	0
	Earmarked Reserves (to / (from))	(538)	(1,324)	(1,324)	0
	Strategic Reserves (to / (from))	0	0	0	0
	<b>NET CORPORATE ITEMS</b>	<b>2,941</b>	<b>2,885</b>	<b>2,955</b>	<b>70</b>
	Council Tax	(7,480)	(7,480)	(7,480)	0
	Parish Precepts <i>(Receipts from Council Tax Payers)</i>	(169)	(169)	(169)	0
	Business Rates: Retained Income	(4,513)	(4,513)	(4,513)	0
	Business Rates: S31 Grants <i>(For award of business rates relief)</i>	(1,655)	(1,655)	(1,655)	0
	Prior Year Collection Fund (Surplus)/Deficit	1,261	1,261	1,261	0
	Revenue Support Grant	(1,700)	(1,700)	(1,700)	0
	New Homes Bonus	(576)	(576)	(576)	0
	Other Government Grants	(489)	(489)	(489)	0
	<b>FUNDING</b>	<b>(15,322)</b>	<b>(15,322)</b>	<b>(15,322)</b>	<b>0</b>
	<b>BUDGET BALANCE</b>	<b>0</b>	<b>0</b>	<b>149</b>	<b>149</b>

## 11. 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 impact of Coronavirus pandemic and current economic conditions 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 £149k. 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:

Savings	Revised Budget	Savings Forecast Q1	Balance of Savings yet to be Identified
	£000	£000	£000
Salary Savings	(169)	12	(157)
Non-Salary Savings	(79)	87	8
<b>TOTAL SAVINGS YET TO BE IDENTIFIED</b>	<b>(248)</b>	<b>99</b>	<b>(149)</b>

### Salary Savings Target

The position at the end of Q1 is that £12k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £157k to identify throughout the remainder of the year.

### Non-Salary Savings Target

The latest position is that the estimated surplus in income and reduced expenditure forecast at Q1 has exceeded the forecast target by £8k.

The combined balance of savings (salary and non-salary) yet to be identified totals a net budget deficit of £149k. 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.

## 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: £0k**

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

### b. Policy and Engagement

**Forecast Variance: £0k**

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

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: £0k net overspend**

All facilities are operating at a surplus variance compared to the budget set for 2022/23. However, we are noticing pressures from suppliers across all sites within Burnley Leisure who are imposing substantial price increases due to the current economic climate. We have noticed an increase in the cost of materials, such as Pool Chemicals, Cleaning Materials, Sporting Equipment & Supplies, etc.

Hospitality is proving the most challenging area, with some products increasing by over 50%. The forecast is for these price increases to continue into 2022. Teams are working hard to renegotiate pricing, alter menus and increase customer pricing sensitively where possible.

e. **Green Spaces and Amenities**

**Forecast Variance: £11k net overspend**

A reduction in Towneley events and refreshments income (£12k) is forecast due to there being no further bookings being taken for next year because of uncertainties around the building works being carried out. This is partially offset by a forecast reduction in expenditure (£7k) due to Burnley Leisure running the bar service. An increase in expenditure on the laundry budget is forecast for this year (£1k)

Forecast increase in expenditure on fuel (£5k) as the council moves from red diesel to white.

f. **Streetscene**

**Forecast Variance: £77k net overspend**

Additional income (£11k) from the household garden waste and (£79k) from the trade waste contracts to reflect the current services offered

Reduction in car parking income (£166k), mainly due to reduced footfall in the town centre.

g. **Housing and Development Control**

**Forecast Variance: £0**

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

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: £12k net underspend**

Salary savings (£12k) in respect of 2 vacant posts in Internal Audit during Quarter 1.

j. **Revenues and Benefits Client**

**Forecast Variance: £0**

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

k. **Legal and Democratic Services**

**Forecast Variance: £3k net overspend**

Reduced income from the hire of rooms at the Town Hall post pandemic (£1k).

Additional expenditure required on nodes for Committee Rooms in order to run postal vote verification during elections, and on the Modern Government contract including the added functionality of electronic voting in council meetings (£2k)

**l. People and Development**

**Forecast Variance: £0k net overspend**

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

**m. Central Budgets**

**Forecast Variance: £0k net underspend**

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

**n. Corporate Items**

**Forecast Variance: £70k net overspend**

The increase in borrowing towards the end of 2021/22 has led to an increase in scheduled interest repayments for 2022/23 (£120k). This is offset in part by an increase in estimated interest income (£50k) due to rising interest rates impacting favourably on the council's investment deposits.

**o. Funding**

**Forecast Variance: £0k net overspend**

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

**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:

	<b>Transformation Reserve</b>	<b>Growth Reserve</b>	<b>Other Earmarked Reserves</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 01/04/22	(2,802)	(1,538)	(18,714)	<b>(23,055)</b>
Movement in Q1	442	485	2,249	<b>3,175</b>
<b>Balance as at 30/06/22</b>	<b>(2,360)</b>	<b>(1,053)</b>	<b>(16,466)</b>	<b>(19,879)</b>

Included within the reserve balance above is the £1.175m from Covid 19 recovery reserve that was set aside to help cover for any future shortfalls in income/increases in expenditure.

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 £0.899m. This is where revenue funds are used to finance capital schemes. The contribution of £0.899m relates to vehicle and machinery replacement (£175k), refill fountains (£5k), Lower St James Street Historic Action Zone (£185k), Finsley Wharf & Canal Towpath Improvements (£34k), Burnley- Pendle Growth Programme (£300k), Building Infrastructure (£50k), Audio & Visual Upgrade to Facilitate On-line Meetings (£100k) and Charter Walk Property Maintenance (£50k).

### **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**

**PLEASE CONTACT:**

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