

Revenue Monitoring Report 2022/23 – Quarter 2 (to 30 September 2022)

REPORT TO EXECUTIVE



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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 September 2022.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of a net overspend of £89k, as summarised in table 1 and detailed in Appendix 1. The net overspend of £89k has reduced from a forecast net overspend of £149k as reported in Quarter 1.
 - b. 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.

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

- c. The latest revised net budget of **£15.322m** as shown in Table 1, and
- d. The net transfers from earmarked reserves of **£2.710m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

3. 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

4. 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 £89k, which has decreased by £60k from the £149k forecasted overspend reported at Quarter 1. The deficit is based upon forecast income and expenditure as at the end of Quarter 2. The budget is being continually monitored.

The forecast year end net budget deficit of £89k does not include the 2022/23 pay award which has been agreed nationally at flat rate increase of £1,925 across all scp's. This is in excess of the 2.5% pay award increase that was built into the Council's budget for the 2022/23 financial year. Further details around the agreed pay award will be provided in Quarter 3.

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. Income pressures had started to reduce and were returning to pre-Covid levels. However, we are now seeing the impact of the cost-of-living crisis as pressure on income and expenditure budgets is becoming evident and is expected to increase over the coming months. It is proposed to rename the 'Covid-19 Reserve' to the 'Covid-19 and Cost-of-Living Reserve' so that it more accurately represents its use.

The current increases in inflation above the Bank of England's target of 2%, with the Consumer Prices Index standing at 9.9% in the 12 months to August 2022, have a future impact on the Council's budget position. This will place additional costs pressures on the Council's revenue budgets particularly around borrowing costs, salaries, external contract costs, cost of goods and services and fuel. Energy prices continue to be of particular concern, and we have seen huge increases over the last 12 months, and this is expected to continue. To help mitigate the future impact of the energy costs the Council set aside £197k at the end of 2021/22 in an earmarked reserve to help fund any future fluctuations. The levels of inflation factored into future years' budgets are continually kept under review to ensure that they are reflective of the current economic climate.

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 second 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.

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 2021/22 (Appendix 2).

Members are asked to approve the latest revised net budget of £15.322m 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 Quarter 2 and the anticipated variance.

At the end of Quarter 2 the net budget forecast is currently £89k 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 £89k 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 ongoing 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.

8. 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.
TOTAL	139	

9. 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			Forecast position as at Quarter 2		
		Net Budget 2022/23	Revised Budget	Forecast Q1	Variance Q1	Revised Budget	Forecast Q2	Variance Q2
a	Economy and Growth	734	734	734	0	1,026	1,026	0
b	Policy and Engagement	459	469	469	0	1,171	1,151	(20)
c	Management Team	373	373	373	0	373	373	0
d	Sport and Culture Leisure Client	805	805	805	0	805	805	0
e	Green Spaces and Amenities	1,251	1,251	1,262	11	1,391	1,404	13
f	Streetscene	3,159	3,159	3,235	77	3,439	3,516	77
g	Housing and Development Control	511	560	560	0	841	841	0
h	Strategic Partnership	4,033	4,033	4,033	0	4,033	4,033	0
i	Finance and Property	626	602	590	(12)	592	575	(17)
j	Revenues and Benefits Client	(1,329)	(1,329)	(1,329)	0	(1,329)	(1,329)	0
k	Legal and Democratic Services	1,079	1,113	1,116	3	1,173	1,178	4
l	People and Development	243	243	243	0	243	243	0
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	685	672	672	0	822	784	(38)
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(248)	(248)	(248)	0	(236)	(236)	0
	NET SERVICE BUDGET	12,381	12,437	12,516	79	14,343	14,362	19
	Pensions	784	784	784	0	784	784	0
	Provisions <i>(Balance to be determined at year end)</i>	0	0	0	0	0	0	0
	Impairments <i>(Provisions for Bad Debt)</i>	0	0	0	0	0	0	0
	Parish Precepts <i>(Disbursement to Parishes)</i>	169	169	169	0	169	169	0
	Treasury <i>(Investment Income & Expenditure)</i>	1,081	1,081	1,151	70	1,081	1,151	70
	Capital Financing	1,444	2,175	2,175	0	2,192	2,192	0
	Earmarked Reserves (to / (from))	(538)	(839)	(839)	0	(2,663)	(2,663)	0
	Strategic Reserves (to / (from))	0	(485)	(485)	0	(585)	(585)	0
	NET CORPORATE ITEMS	2,941	2,885	2,955	70	979	1,049	70
	Council Tax	(7,480)	(7,480)	(7,480)	0	(7,480)	(7,480)	0
	Parish Precepts <i>(Receipts from Council Tax Payers)</i>	(169)	(169)	(169)	0	(169)	(169)	0
	Business Rates: Retained Income	(4,513)	(4,513)	(4,513)	0	(4,513)	(4,513)	0
	Business Rates: S31 Grants <i>(For award of business rates relief)</i>	(1,655)	(1,655)	(1,655)	0	(1,655)	(1,655)	0
	Prior Year Collection Fund (Surplus)/Deficit	1,261	1,261	1,261	0	1,261	1,261	0
	Revenue Support Grant	(1,700)	(1,700)	(1,700)	0	(1,700)	(1,700)	0
	New Homes Bonus	(576)	(576)	(576)	0	(576)	(576)	0
	Other Government Grants	(489)	(489)	(489)	0	(489)	(489)	0
	FUNDING	(15,322)	(15,322)	(15,322)	0	(15,322)	(15,322)	0
	BUDGET BALANCE	0	0	149	149	0	89	89

10. 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 continuing 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 £89k. 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:

Savings	Revised Budget	Savings Forecast Q1	Savings Forecast Q2	Balance of Savings yet to be Identified
	£000	£000		£000
Salary Savings	(169)	12	45	(112)
Non-Salary Savings	(79)	87	15	23
TOTAL SAVINGS YET TO BE IDENTIFIED	(248)	99	60	(89)

Salary Savings Target

The position at the end of Quarter 2 is that £57k of salary savings have been secured to date as can be seen in Table 2 above, leaving a shortfall of £112k 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 Quarter 2 has overachieved the forecast target by £23k.

The combined balance of savings (salary and non-salary) yet to be identified totals a net budget deficit of £89k. 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.

14. SERVICE REPORTS

Departmental budgets and the 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

Previous forecast variance: £0k

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

b. Policy and Engagement

Forecast Variance: £20k net underspend

Previous forecast variance: £0k

The Primary Engineer grant for Burnley Schools 2022/23 delivery is expected to be the same as the 2021/22, 50% less than previous years (£14k)

Costs associated with the Platinum Jubilee and Armed Forces Day were less than anticipated (£6k)

c. Management Team

Forecast Variance: £0k

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

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.

There has been 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 2023. Teams are working hard to re-negotiate pricing, alter menus, increase customer pricing sensitively where possible.

e. Green Spaces and Amenities

Forecast Variance: £13k net overspend

Previous 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. This is being monitored and may increase further.

A reduction in income from memorial wall plaques (£10k) is forecast due to a general decline in demand.

Additional income of (£8k) is forecast due to an increase in the ice cream license at Towneley Park.

f. **Streetscene**

Forecast Variance: £77k net overspend

Previous forecast variance: £77k net overspend

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

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).

g. **Housing and Development Control**

Forecast Variance: £0k

Previous forecast variance: £0k

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

h. **Strategic Partnership**

Forecast Variance: £0k

Previous forecast variance: £0k

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

i. **Finance and Property**

Forecast Variance: £17k net underspend

Previous forecast variance: £12k net overspend

Salary savings (£6k) due to the Accountancy Officer post being vacant for three months.

Additional expenditure (£1k) has been identified for the repair of the scissor platform in order to bring it back into service.

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

j. **Revenues and Benefits Client**

Forecast Variance: £0k

Previous forecast variance: £0k

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

k. **Legal and Democratic Services**

Forecast Variance: £4k net overspend

Previous 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)

The Legal Services software budget is forecast to be overspent by (£1k) due to the Legal Case Management software installed during 2021/22 being more than the budget provision.

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: £38k net underspend

Previous forecast variance: £0k

Salary savings (£38k) in respect of the period of vacant Climate Change Programme Manager post. The post has now been recruited to.

n. Corporate Items

Forecast Variance: £70k net overspend

Previous 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

Previous forecast variance: £0k

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:

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	TOTAL
	£000	£000	£000	£000
Balance as at 01/04/22	(2,802)	(1,538)	(18,177)	(22,517)
Movement in Q1	-	485	302	787
Drawn down in Q2	100	-	1,824	1,924
Balance as at 30/09/22	(2,702)	(1,053)	(16,051)	(19,807)

Included within the reserve balance above is the £1.175m from Covid 19 and Cost of Living 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

Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £0.921m. This is where revenue funds are used to finance capital schemes. The contribution of £0.921m relates to vehicle and machinery replacement (£175k), Worsthorne Recreation Ground Improvements (22k), 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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