

Revenue Monitoring Report 2022/23 – Quarter 3 (to 31 December 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 31 December 2022.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of a net underspend of £9k, as summarised in table 1 and detailed in Appendix 1. The net underspend of £9k has reduced from a forecast net overspend of £89k as reported in Quarter 2.
 - 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 **£4.284m** as shown in Appendix 2.
- e. The requested carry forwards of **£419k** as show in Appendix 3.

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.

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 surplus stands at £9k, which has decreased by £98k from the £89k forecasted overspend reported at Quarter 2. The surplus is based upon forecast income and expenditure as at the end of Quarter 3. The budget is being continually monitored.

The forecast year end net budget surplus of £9k includes 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 and resulted in an additional cost of £532k. This includes the increase in the salary element of the contractual costs to our strategic partners.

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. As a consequence the 'Covid-19 Reserve' has been renamed 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 9.2% in the 12 months to December 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 third 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 3 and the anticipated variance.

At the end of Quarter 3 the net budget forecast is currently £9k surplus. 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 £9k surplus 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 2			Forecast position as at Quarter 3			
		Net Budget 2022/23	Revised Budget	Forecast Q2	Variance Q2	Revised Budget	Forecast Q3	Variance Q3
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
a	Economy and Growth	734	1,026	1,026	0	1,037	1,070	33
b	Policy and Engagement	459	1,171	1,151	(20)	1,015	989	(26)
c	Management Team	373	373	373	0	373	373	0
d	Sport and Culture Leisure Client	805	805	805	0	910	910	0
e	Green Spaces and Amenities	1,251	1,391	1,404	13	1,531	1,543	13
f	Streetscene	3,159	3,439	3,516	77	3,523	3,549	26
g	Housing and Development Control	511	841	841	0	952	1,042	90
h	Strategic Partnership	4,033	4,033	4,033	0	4,141	4,141	0
i	Finance and Property	626	592	575	(17)	(1,409)	(1,426)	(17)
j	Revenues and Benefits Client	(1,329)	(1,329)	(1,329)	0	(1,309)	(1,309)	0
k	Legal and Democratic Services	1,079	1,173	1,178	4	1,198	1,202	4
l	People and Development	243	243	243	0	225	225	0
m	Central Budgets - Other <i>(includes corporate costs eg utilities, apprenticeship levy)</i>	685	822	784	(38)	735	1,197	464
	Central Budgets - Savings Targets <i>(see Table 2)</i>	(248)	(236)	(236)	0	(248)	(248)	0
	NET SERVICE BUDGET	12,381	14,343	14,362	19	12,674	13,258	587
	Pensions	784	784	784	0	783	783	(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	1,660	1,000	(660)
	Capital Financing	1,444	2,192	2,192	0	3,675	3,675	0
	Earmarked Reserves (to / (from))	(538)	(2,663)	(2,663)	0	(1,603)	(1,537)	66
	Strategic Reserves (to / (from))	0	(585)	(585)	0	(2,038)	(2,038)	0
	NET CORPORATE ITEMS	2,941	979	1,049	70	2,646	2,052	(594)
	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	89	89	(1)	(9)	(9)

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. At present the forecast budget underspend is £9k. 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)	12	45	0	(112)
Non-Salary Savings	(79)	87	15	80	103
TOTAL SAVINGS YET TO BE IDENTIFIED	(248)	99	60	80	(9)

Salary Savings Target

The position at the end of Quarter 3 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 3 has overachieved the forecast target by £103k.

The combined balance of savings (salary and non-salary) identified totals a net budget surplus of £9k. 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

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: £33k

Previous forecast variance: £0k

Reduction in market hall income (£11k), service charges (£16k) and non-lease income (£8k) due to a decreased demand for stall hire. Offset in part by additional storage change income (£2k).

b. Policy and Engagement

Forecast Variance: £26k net underspend

Previous forecast variance: £20k

Reduction in copying charges due to the purchase of a new copier (£2k). Reduction in spend on the Children's University project (£4k) due to no current planned commitments.

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. There has been an increase in the cost of materials, such as pool chemicals, cleaning materials, sporting equipment & supplies, etc.

Hospitality is proving to be the most challenging area post Covid-19 and is currently forecasting a deficit at year end. The forecast is for price increases to continue into 2023. Teams are working hard to re-negotiate pricing, alter menus, increase customer pricing sensitively where possible.

We are noticing pressures from suppliers across all sites within Burnley Leisure, who are imposing substantial price increases due to the current economic climate. In addition, the increase in staffing costs due to the 2022/23 pay award is also an added financial pressure.

e. **Green Spaces and Amenities**

Forecast Variance: £13k net overspend

Previous forecast variance: £13k net overspend

Additional crematorium income (£36k) due to the number of crematoriums being higher than forecast due to a backlog of cremations across Lancashire.

Increased spend on playground repairs and maintenance (£26k) due to an increase in costs along with an increase in diesel spend (£15k) as the Council moves from red diesel to white (this includes the £5k increase reported previously).

Reduction in catering rights income at Thompson Park (£5k) due to an in year renegotiation of the lease with the tenant based on refreshment sales.

Additional sales income (£7k) at Towneley around the sale of books and tours as well as a various minor reductions in spend (£3k) offset in part by a reduction in income from exhibitions and room hire (£5k).

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).

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: £26k net overspend

Previous forecast variance: £77k net overspend

Additional forecast car parking income (£50k), reducing the previously reported reduction of (£166k) to (£116k).

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

g. **Housing and Development Control**

Forecast Variance: £90k

Previous forecast variance: £0k

Reduction in planning fee income (£90k) due to a lower number of applications received than forecast.

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: £17k net underspend

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

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: £4k net overspend

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

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: £464k net overspend

Previous forecast variance: £38k underspend

Reduction in change programme spend (£30k) due to no current planned commitments.

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

Additional salary costs (£532k) due to the additional 2022/23 pay award.

n. Corporate Items

Forecast Variance: £595k net underspend

Previous forecast variance: £70k net overspend

Reduction in PWLB expenditure (£355k) due to in year planned borrowing being pushed back to future years based on the capital programme and internal cashflow (this includes the £120k additional borrowing costs reported previously due to an increase in borrowing towards the end of 2021/22).

Additional interest income (£306k) due to rising interest rates impacting favourably in the council's investment deposits plus loan repayments from Burnley Leisure (this includes the additional £50k interest income reported previously).

Additional salary costs (£532k) due to the additional 2022/23 pay award.

Contribution to the Energy Volatility Reserve (£66k) to ensure that the reserve balance is sufficient to support the 2023/24 revenue budget.

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)
Adjustments	(1,873)	-	1,873	-
Movement in Q1	-	485	302	787
Drawn down in Q2	100	-	1,824	1,924
Drawn down in Q3	1,309	(185)	(88)	1,036
Balance as at 31/12/22	(3,266)	(1,238)	(14,266)	(18,771)

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 £1.855m. This is where revenue funds are used to finance capital schemes. The contribution of £1.855m relates to vehicle and machinery replacement (£175k), Worsthorne Recreation Ground Improvements (22k), refill fountains (£5k), Finsley Wharf & Canal Towpath Improvements (£34k), Burnley-Pendle Growth Programme (£300k), Building Infrastructure (£50k) and Pioneer Place (£1,269k).

17. CARRY FORWARD REQUESTS

Carry forward requests totalling £419k have been received from Budget Holders, details of which can be seen in Appendix 3. These amounts totalling £419k to be transferred into the Carry Forward reserve or other Earmarked Reserves and transferred back out to create additional revenue budgets in 2023/24 or when required.

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:

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