

Revenue Monitoring Report 2023/24 – Quarter 2 (to 30 September 2023)

REPORT TO EXECUTIVE



DATE	29 November 2023
PORTFOLIO	Resources and Performance Management
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PURPOSE

1. To report the forecast outturn position for the year ending 31 March 2024 based upon actual spending and income to 30 September 2023.
2. Members are again asked to note the financial impact of the ongoing cost-of-living crisis as can be seen in paragraph 5. In view of the ongoing economic challenges, forecasts remain under review and remain subject to change as the impact on the economy unfolds. Updates will be provided to Members through the established quarterly budget monitoring process.

RECOMMENDATION

3. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of a net overspend of £166k, as summarised in table 1 and detailed in Appendix 1, although it is expected that there will be a break-even position by the end of the financial year. The net overspend of £166k has reduced from a forecast net overspend of £243k as reported at Quarter 1.

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

- b. The latest revised net budget of **£16.267m** as shown in Table 1, and
- c. The net transfers from earmarked reserves of **£5.904m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2023/24 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 the cost-of-living crisis

Sustained inflation above the Bank of England's target of 2%, continues to have an impact on the Council's budget monitoring position, both in respect of increased costs and potential reduction in income receivable from residents for fees and charges, given the inevitable 'squeeze' on disposable incomes. The Bank of England's latest forecast predicts a fall in inflation 'over the medium term' with an expectation that the 2% target will not be met until 2025.

As per Q1 reporting, the sum of £616k has been set aside in the Cost of Living Crisis Reserve to meet these challenges.

The Council has also set aside sums specifically to manage continued volatility in the energy markets, with the balance of £260k brought forward from 2022/23 remaining committed in 2023/24, details of which are included at Appendix 2. The Council was successful in its application to the Swimming Pool Support Fund and the proposal is to transfer the £250k award into the Energy Volatility Reserve for future use.

At the time of this report, despite a fall in the Consumer Price Index (CPI) over the quarter to which lower energy prices were considered attributable, the Bank of England noted potential ongoing volatility in energy markets into Winter 2023.

At the time of this report, the pay award for 2023/24 has not yet been agreed and this remains an outstanding risk relative to estimates included within the original, approved budget.

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 second in-year report for 2023/24. 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 or Director 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.

As part of the quarterly monitoring cycle, all Heads of Service and Directors are 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 in February 2023, 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.
- Decisions made by the Executive and Council.
- Transfers to/from Earmarked Reserves in respect of grants/contributions and also approved carry forwards from 2022/23 (Appendix 2).

Members are asked to approve the latest revised net budget of £16.267m 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.

On current projections the net revenue budget is forecast to be exceeded by £166k, details of which are also included at section 11, 'Service Reports'.

Due to the continuing uncertainty around the potential impact of the cost of living crisis on the Council's approved budgets, forecast reductions in income and increases in expenditure remain subject to change as the year progresses. The net budget forecast at Quarter 2 of a £166k year-end deficit is based upon the latest estimates of income and expenditure.

Table 1: Revenue Budget Forecast Position 2023/24

	Approved Budget	Forecast position at Q1			Forecast position at Q2		
	NET BUDGET 2023/24 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q1 £000s	VARIANCE Q1 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q2 £000s	VARIANCE Q2 £000s
Economy and Growth	711	961	1,017	56	977	1,021	44
Policy and Engagement	510	880	880	0	867	867	0
Management Team	394	394	394	0	394	394	0
Sport and Culture Leisure Client	1,270	1,270	1,270	0	1,270	1,270	0
Green Spaces and Amenities	1,376	1,497	1,496	(1)	1,505	1,533	28
Streetscene	3,346	3,448	3,488	40	3,471	3,511	40
Housing and Development Control	1,036	1,146	1,146	0	1,143	1,200	57
Strategic Partnership	4,205	4,217	4,217	0	4,216	4,216	0
Finance and Property	(1,343)	(298)	(298)	0	(1,295)	(1,231)	64
Revenues and Benefits Client	(1,158)	(1,138)	(1,138)	0	(1,138)	(1,138)	0
Legal and Democratic Services	1,273	1,428	1,428	0	1,415	1,495	80
People and Development	234	242	242	0	242	242	0
Central Budgets - Other	906	1,154	1,154	0	1,156	1,156	0
Central Budgets - Savings Targets	(248)	(248)	0	248	(243)	0	243
NET SERVICE BUDGET	12,512	14,953	15,296	343	13,980	14,536	556
Pensions	486	486	486	0	486	486	0
Parish Precepts	173	173	173	0	173	173	0
Treasury Investments & Borrowing	1,516	1,516	1,416	(100)	1,516	1,126	(390)
Capital Financing	1,951	4,111	4,111	0	5,028	5,028	0
Earmarked Reserves	(361)	(4,619)	(4,619)	0	(5,141)	(5,141)	0
Strategic Reserves	(10)	(353)	(353)	0	225	225	0
NET CORPORATE ITEMS	3,755	1,314	1,214	(100)	2,287	1,897	(390)
Council Tax	(7,724)	(7,724)	(7,724)	0	(7,724)	(7,724)	0
Council Tax - Parish Precepts	(173)	(173)	(173)	0	(173)	(173)	0
Business Rates: Retained Income	(5,950)	(5,950)	(5,950)	0	(5,950)	(5,950)	0
Business Rates: S31 Grants	(754)	(754)	(754)	0	(754)	(754)	0
Prior Year Collection Fund (Surplus)/Deficit	1,208	1,208	1,208	0	1,208	1,208	0
Revenue support Grant	(1,872)	(1,872)	(1,872)	0	(1,872)	(1,872)	0
New Homes Bonus	(319)	(319)	(319)	0	(319)	(319)	0
Other Government Grants	(683)	(683)	(683)	0	(683)	(683)	0
FUNDING	(16,267)	(16,267)	(16,267)	0	(16,267)	(16,267)	0
BUDGET BALANCE	0	0	243	243	0	166	166

9. Members will recall that savings totalling £363k were built in to the 2023/24 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 monitored in year, details of which can be seen below:

Description	Saving £000	Progress of Achievement
Reduction in grant award to Burnley & Pendle Citizens Advice	10	Fully achieved.
Removal of annual contribution to the Pensions Reserve	353	Fully achieved.
TOTAL	363	

10. SAVINGS TARGETS

In addition to the savings above, it was assumed that two savings targets would be achieved over the course of the year: £169k salary savings from not filling posts immediately and £79k from in year savings/additional income. Current economic conditions and the 'Cost of Living Crisis' generally *may* threaten the achievement of these targets. At present the forecast budget overspend is £166k. A summary of the original 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	Original Savings Budget	Savings Forecast Q1	Savings Forecast Q2	Balance of Savings yet to be Identified
	£000	£000	£000	£000
Salary Savings	(169)	4	8	(157)
Non-Salary Savings	(79)	1	69	(9)
TOTAL SAVINGS YET TO BE IDENTIFIED	(248)	5	77	(166)

Salary Savings Target

The position at the end of Quarter 2 is that £12k of salary savings have been secured leaving £157k of salary savings yet to be identified.

Non-Salary Savings Target

At Quarter 2, surplus investment income, deferred borrowing and repayment of loans granted totalling a sum of £390k, are part funding the Net Service Budget forecast variation of £556k. The net result is that £9k of non-salary savings are yet to be identified.

The combined balance of savings (salary and non-salary) forecast at Q2 yet to be identified totals a net requirement of £166k. The above estimates are based on forecasts at the end of Q2 where there are many future uncertainties. As such the budget is fluid in nature and may change (positively or negatively) as the year progresses.

11. SERVICE REPORTS

11.1 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 for highlighting.

a. Economy and Growth

Forecast Variance: £44k net overspend

Previous forecast variance: £56k net overspend

The variation of £56k is anticipated in respect of Burnley Market, being a combination of a loss of income from reduced trader numbers, an associated increase in overhead costs that cannot be transferred to the reduced number of traders via agreed Service Charges, and increased cost of security provision due to anti-social behaviour.

The Primary Engineer grant for Burnley Schools 2023/24 is anticipated to be less than the original budget expectation and in line with the level of funding awarded in 2022/23, with a net reduction to anticipated costs of (£12k).

b. Policy and Engagement

Forecast Variance: £0k

Previous forecast variance: £0k

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

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: £0

Previous forecast variance: £0k

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

Towneley Golf Season Ticket income, and Prairie Driving Range income are currently ahead of Budget Profile.

Gym Memberships income is also ahead of Budget Profile but these are being closely monitored, due to the opening of alternative gym provision within the borough from the private sector.

Hospitality income is slightly ahead of the budget set. However, it remains the most challenging area due to cost of products. Burnley Leisure will be monitoring Cost of Sales closely, to ensure it remains within budget.

e. Green Spaces and Amenities

Forecast Variance: £28k net overspend

Previous forecast variance: £1k net underspend

Given the increased cost of fit-out works to the Stables Café situated at Towneley Park, expected to continue until November 2023, it has been agreed to extend the rent-free period to the operator in exchange for a higher rent and income share over the period of the lease. Estimated income for the year will be reduced by c£28k.

Grounds maintenance and repair costs are anticipated to exceed budget by £5k owing to rising costs of labour and materials. However, the Service is forecasting to achieve (£5k) of additional income from Towneley Hall 'sales', despite the ongoing works at the site.

f. Streetscene

Forecast Variance: £40k net overspend

Previous forecast variance: £40k net overspend

Members will recall when approving the 2023/24 revenue budget, the risks to income associated with temporary closure and reduction of available car parking spaces as a consequence of the continued capital investment within the Town Centre.

The current forecast at Q2 remains unchanged with a projected shortfall in income of £40k associated with Pioneer Car Park. This will remain under review as the year

progresses, with continued monitoring to assess the impact of the Pioneer Place retail/leisure offer opening in September 2023.

g. **Housing and Development Control**
Forecast Variance: £57k net overspend
Previous forecast variance: £0k

The original budget assumed annual rental income from temporary accommodation held by the Council as part of its Empty Homes strategy. However, these properties were included in a bulk disposal to a local Housing Association in late 2022/23, generating a capital receipt for the Council of £1.5m but resulting in income foregone of £68k for 2023/24.

Increased income (£15k) is estimated from enforcement activity associated with Housing Act non-compliance and the failure of Landlords to obtain licences for Houses in Multiple Occupancy (HMOs).

Additional expenditure of £4k is forecast in respect of licensing software upgrades.

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: £64k net overspend
Previous forecast variance: £0k

The service is estimating an overall increase in audit costs of £64k for the annual audit certification of the Council's Housing Benefit claim and the External Audit 'scale fee' for the 2023/24 year, based on information from Public Sector Audit Appointments (PSAA), the body appointed to procure External Audit services for the majority of the public sector.

Net additional costs of £6k associated with 'Room Hire' have been incurred whilst the Council Chamber undergoes renovation works, coupled with a reduction in income from 'Room Hire' sales to outside bodies.

There is an anticipated net cost of £2k for overtime (Internal Audit Service (£1k) and Town Hall office cover £3k) and additional in-year saving of (£8k) for the Accountancy Trainee post which has now been recruited to, with the successful candidate to join the Council in Q3.

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: £80k net overspend

Previous forecast variance: £0k

The Council is projecting a significant increase of £80k to its insurance premiums in the current year. The most significant of which relates to the assessment of risk at Towneley Hall due to its current status whilst undergoing renovation works, but also following an increase in the risk premium for the fine art collection.

l. **People and Development**

Forecast Variance: £0k

Previous forecast variance: £0k

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

m. **Central Budgets**

Forecast Variance: £166k net overspend

Previous forecast variance: £243k net overspend

This variation is for the purpose of presentation, recognising that the Corporate Savings targets are initially held centrally but that contributions towards the targets will be identified within Services and/or Corporate Items as the year progresses.

At Quarter 2, the £243k savings target is yet to be realised in full. Positive movement in the period of (£77k), has resulted in a total saving of £166k yet to be identified to balance the budget.

n. **Corporate Items**

Forecast Variance: £390k net underspend

Previous forecast variance: £100k net underspend

Bank rate increases during the first half of the year continue to have a positive impact on rates available for surplus monies deposited with approved financial institutions. Returns for the year are currently forecast to exceed the budgeted figure by (£170k).

The Council has a recognised need to borrow to fund its approved Capital Investment Programme (CIP). As part of the approved budget, sums are set aside to cover interest costs arising from external borrowing. To date, the Council has pursued a strategy of internal borrowing and the decision to defer externalisation of these amounts is expected to reduce interest payable in the year by an estimated (£182k).

Net Additional income from third party loan repayments due to the Council are estimated at (£38k).

o. **Funding**

Forecast Variance: £0k

Previous forecast variance: £0k

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

12. 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
	£	£	£	£
Balance as at 01/04/23	4,621	1,050	19,812	25,483
Movements between reserves	-1,123	2,623	-1,500	0
Approved budget contributions (Original Estimate)	-10	-	-360	-370
Slippage/carry forwards from 2022/23	-	-171	-886	-1,057
Additional Movement in Q1	-1,008	-665	-1,872	-3,545
Additional Movement in Q2	-60	-349	-523	-932
Balance as at 30/09/23	2,420	2,488	14,671	19,579

Also included in the reserve movements in the first half of the year are approved contributions to fund Capital expenditure, as shown in Table 4 below.

Any savings proposals for 2023/24 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.

13. CAPITAL FINANCING

13.1 Included in the revenue budget at Q2 is a revenue contribution to capital outlay (RCCO) of £3.268m. A breakdown of the current revenue/reserve funding set aside to finance Capital expenditure is shown below, and is also included in the Capital Monitoring report elsewhere on the agenda:

Service Unit	Capital Scheme Name	£'000
Green Spaces & Amenities	Vehicle and Machinery Replacement	196
Green Spaces & Amenities	Worsthorne Rec Grd Improvements	22
Green Spaces & Amenities	Refill Fountains	5
Green Spaces & Amenities	Cremator Relining	53
Economy & Growth	Lower St James Street Historic Action Zone	520
Economy & Growth	Pioneer Place	665
Finance & Property	Building Infrastructure Works	2
Finance & Property	Audio & Visual Upgrade to Facilitate On-Line Meetings	100
Finance & Property	Charter Walk	1,180
Finance & Property	Burnley Leisure Gym Equipment Replacement	295
Housing & Development Control	Local Authority Housing Fund	170
Housing & Development Control	Building Control IT Procurement	60
RCCO as at 30/09/2023		3,268

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

16. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION

PLEASE CONTACT:

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