

## Revenue Monitoring Report 2023/24 – Quarter 3 (to 31 December 2023)

### 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 ending 31 March 2024 based upon actual spending and income to 31 December 2023.

#### RECOMMENDATION

2. The Executive is asked to:
  - a. Note the projected revenue budget forecast position of a net overspend of £60k, 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 £60k has reduced from a forecast net overspend of £166k as reported at Quarter 2.

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 **£6.014m** as shown in Appendix 2.
- d. The requested carry forwards of **£69k** as shown in Appendix 3.

#### REASONS FOR RECOMMENDATION

3. 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

### 4. Financial Impact of the cost-of-living crisis

Despite a downward trajectory over the reporting period, inflation continues to exceed the Bank of England's target of 2%. 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 late 2025. This continues to have an impact on the Council's budget monitoring position, both in respect of increased costs and potential reduced income from fees and charges, given the continued 'squeeze' on disposable incomes available to Service Users.

Councillors will be aware that, in response to heightened inflation, the Bank of England's Monetary Policy Committee (MPC) has continued to raise bank rate since February 2022 and has done so three times this financial year, increasing the rate incrementally from 4.25% to 5.25%.

Despite the impact of inflation on the budget monitoring position referred to above, a rising interest rate environment has enabled the Council to generate greater investment returns, relative to budget assumptions, for depositing temporary, surplus cash with approved institutions. Similarly, based on the Council's capital spend profile for the year and deferral of external borrowing (given the high borrowing costs) the Council has continued to pursue (for now) a strategy of internal borrowing and avoidance of external interest costs assumed in the original budget.

More detail is provided in the quarterly Capital and Treasury reports included elsewhere on the agenda.

The pay award for 2023/24 was agreed on 1 November 2023 for all local government employees on grades 2-14 at a flat rate increase of £1,925 with Chief Officers receiving a 3.5% increase per annum. The pay award for Chief Executives was agreed in May 2023, at an increase of 3.5% per annum.

As part of the 2023/24 Budget approved in February 2023, overall pay inflation was assumed at 5%. The impact of the pay awards agreed in May and November equate to an average increase of approximately 5.17% across all service areas. This increase is included within the year-end forecasts presented in this report.

Treasury investment and borrowing decisions are mitigating revenue budget pressures and continue to contribute to the expectation that a break-even position will be achieved by financial year-end.

### 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 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.

## **6. 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 and also carry forward requests of £69k as shown in Appendix 3.

## **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 Q3 and the anticipated variance.

On current projections the net revenue budget is forecast to be exceeded by £60k, details of which are also included at section 10, '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 3 of a £60k 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 Q2			Forecast position at Q3		
	NET BUDGET 2023/24 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q2 £000s	VARIANCE Q2 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q3 £000s	VARIANCE Q3 £000s
Economy and Growth	711	977	1,021	44	1,001	1,045	44
Policy and Engagement	510	867	867	0	906	886	(20)
Management Team	394	394	394	0	394	394	0
Sport and Culture Leisure Client	1,270	1,270	1,270	0	1,236	1,236	0
Green Spaces and Amenities	1,376	1,505	1,533	28	1,505	1,562	57
Streetscene	3,346	3,471	3,511	40	3,465	3,555	90
Housing and Development Control	1,036	1,143	1,200	57	1,100	1,160	60
Strategic Partnership	4,205	4,216	4,216	0	4,317	4,370	53
Finance and Property	(1,343)	(1,295)	(1,231)	64	(1,285)	(1,221)	64
Revenues and Benefits Client	(1,158)	(1,138)	(1,138)	0	(1,118)	(1,156)	(38)
Legal and Democratic Services	1,273	1,415	1,495	80	1,414	1,495	81
People and Development	234	242	242	0	242	242	0
Central Budgets - Other	906	1,156	1,156	0	906	906	0
Central Budgets - Savings Targets	(248)	(243)	0	243	(227)	0	227
<b>NET SERVICE BUDGET</b>	<b>12,512</b>	<b>13,980</b>	<b>14,536</b>	<b>556</b>	<b>13,856</b>	<b>14,474</b>	<b>618</b>
Pensions	486	486	486	0	486	486	0
Parish Precepts	173	173	173	0	173	173	0
Treasury Investments & Borrowing	1,516	1,516	1,126	(390)	1,517	959	(558)
Capital Financing	1,951	5,028	5,028	0	6,249	6,249	0
Earmarked Reserves	(361)	(5,141)	(5,141)	0	(5,148)	(5,148)	0
Strategic Reserves	(10)	225	225	0	(866)	(866)	0
<b>NET CORPORATE ITEMS</b>	<b>3,755</b>	<b>2,287</b>	<b>1,897</b>	<b>(390)</b>	<b>2,411</b>	<b>1,853</b>	<b>(558)</b>
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
<b>FUNDING</b>	<b>(16,267)</b>	<b>(16,267)</b>	<b>(16,267)</b>	<b>0</b>	<b>(16,267)</b>	<b>(16,267)</b>	<b>0</b>
<b>BUDGET BALANCE</b>	<b>0</b>	<b>0</b>	<b>166</b>	<b>166</b>	<b>0</b>	<b>60</b>	<b>60</b>

8. 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.
<b>TOTAL</b>	<b>363</b>	

## 9. 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 £60k. 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 Q3 can be seen in Table 2 below:

Savings	Original Savings Budget £000	Savings Forecast Q1 £000	Savings Forecast Q2 £000	Savings Forecast Q3 £000	Balance of Savings yet to be Identified £000
Salary Savings	(169)	4	8	88	(69)
Non-Salary Savings	(79)	1	69	18	9
<b>TOTAL SAVINGS YET TO BE IDENTIFIED</b>	<b>(248)</b>	<b>5</b>	<b>77</b>	<b>106</b>	<b>(60)</b>

### Salary Savings Target

The position at the end of Quarter 3 is that £100k of salary savings have been secured leaving £69k of budgeted salary savings to be identified.

### Non-Salary Savings Target

At Q3, an additional £9k of non-salary savings above target have been identified.

The combined balance of savings (salary and non-salary) forecast at Q3 yet to be identified therefore totals a net requirement of £60k, down from £166k at Q2. The above estimates are based on forecasts at the end of Q3. The budget remains fluid in nature and may change (positively or negatively) as the year concludes.

## 10. SERVICE REPORTS

- 10.1 Departmental budgets and current forecasts 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: £44k 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: £20k net underspend**

*Previous forecast variance: £0k*

Following the appointment of the former Head of Policy to post of Chief Operating Officer, and prior to the new Head of Policy taking up the post, there is a forecast vacancy turnover saving of (£20k).

**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.

**e. Green Spaces and Amenities**

**Forecast Variance: £57k net overspend**

*Previous forecast variance: £28k net overspend*

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 £38k.

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.

Proposed Car Parking charges at Bank Hall have not yet been introduced, owing to legislative delays. The net impact is a loss of income in the sum of £3k.

Thompson Park Boathouse and Pavilion rent has been agreed and uplifted on the 22/23 rate but is expected to fall by approximately £4k below the budget estimate.

Tree works undertaken and recharged to Lancashire County Council (LCC) are estimated to reduce as a result of the County forming its own Tree Team. Reduced income for the year is estimated at £12k.

**f. Streetscene**

**Forecast Variance: £90k net overspend**

*Previous forecast variance: £40k net overspend*

As previously reported, redevelopment works and capital investment in the Town Centre has reduced the number of available car parking spaces.

The impact of the new retail/leisure offer at Pioneer Place remains under review as does car park income generally. The forecast shortfall for car parking income is now estimated at £50k.

Taxi vehicle and driver renewal applications are currently below those anticipated, given the ability for both vehicles and drivers to be licensed in neighbouring boroughs but to carry out their trade in Burnley.

The policy change effective from 1 December 2023, as approved by Licensing Committee in November, is already showing positive signs of vehicle and driver retention. However, the reduction to Taxi Licence fee income for the year is estimated at £20k.

The Council re-let the contract for Environmental Enforcement early in 2023/24 with the appointed contractor currently seeking to increase capacity and coverage across the Borough to tackle environmental crime and anti-social behaviour. At the time of this report, the estimated reduction in income from Fixed Penalty Notices (FPNs) is £20k.

g. **Housing and Development Control**  
**Forecast Variance: £60k net overspend**  
*Previous forecast variance: £57k net overspend*

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.

Income for the year from planning fees is forecast at £401k, however this is £50k below the income expectation when setting the 2023/24 Budget in February 2023. However, it should be noted that income fluctuations can be impacted significantly dependent upon the size and scale of planning applications submitted.

Net staffing savings from vacant posts, allowing for costs of agency and professional services to enable service delivery, is estimated at (£47k). This net saving is included in the achievement of salary savings at Table 2.

h. **Strategic Partnership**  
**Forecast Variance: £53k net overspend**  
*Previous forecast variance: £0k*

The impact of the agreed pay award and finalisation of applicable inflation rate relevant to the Strategic Partnership contract is an estimated at £53k over budget.

i. **Finance and Property**

**Forecast Variance: £64k net overspend**

*Previous forecast variance: £64k net overspend*

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 of £6k.

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 (£14k) for the Accountancy Trainee post which has now been recruited to, with the successful candidate joining the Council in Q3.

j. **Revenues and Benefits Client**

**Forecast Variance: £38k net underspend**

*Previous forecast variance: £0k*

Additional income is forecast in the sum of (£38k) for the Cost of Collection Allowance due to the Council for Business Rates administration.

k. **Legal and Democratic Services**

**Forecast Variance: £81k net overspend**

*Previous forecast variance: £80k net overspend*

The Council is projecting a significant increase of £81k 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: £60k net overspend**

*Previous forecast variance: £166k 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 3, the £227k savings target (down from £243k at Q2) is yet to be realised in full. Positive movement in the period of (£107k), has resulted in a total saving of £60k yet to be identified to balance the budget.



#### n. Corporate Items

**Forecast Variance: £558k net underspend**

**Previous forecast variance: £390k 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 (£220k).

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 (£300k).

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.

### 11. 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
Additional Movement in Q3	-65	-38	-7	-110
Balance as at 31/12/23	2,355	2,450	14,664	19,469

Also included in the reserve movements 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.

## 12. CAPITAL FINANCING

12.1 Included in the revenue budget at Q3 is a revenue contribution to capital outlay (RCCO) of £3.329m. 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	215
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	44
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 31/12/2023		3,329

### FINANCIAL IMPLICATIONS AND BUDGET PROVISION

13. As shown in the body of the report.

### POLICY IMPLICATIONS

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

### DETAILS OF CONSULTATION

15. None

### BACKGROUND PAPERS

16. None

### FURTHER INFORMATION

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