

## REPORT TO EXECUTIVE



<b>DATE</b>	<b>15 August 2017</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Donlan</b>
<b>TEL NO</b>	<b>(01282) 477172</b>
<b>EMAIL</b>	<b>ddonlan@burnley.gov.uk</b>

### **Revenue Budget Monitoring 2017/2018**

#### **PURPOSE**

1. To report the forecast outturn position for the year as at 31 March 2018 based upon actual spending and income to **30 June 2017**.

#### **RECOMMENDATION**

2. The Executive is asked to:
  - a. Note the projected revenue budget forecast underspend of £70k (see the overview table in paragraph 6).

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

- b. The latest revised budget of £14.596m as shown in Appendix 1.
- c. The net transfers from earmarked reserves of £1.582m as shown in Appendix 4.

#### **REASONS FOR RECOMMENDATION**

3. To give consideration to the level of revenue spending and income in 2017/18 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. **Revenue Budget Monitoring Process**

There are 3 in-year reports on revenue budget monitoring presented to the Executive and the Scrutiny Committee during the course of the financial year. This is the first in-year report for 2017/18. In addition to these 3 reports there is a final combined report for revenue and capital 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.

5. **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 contributions over £50k.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £14.596m as shown in Appendix 1.

## **6. Revenue Budget Summary**

As at the end of June 2017, the overall financial position is currently projected to be a £70k underspend, as shown in the table below:

	<b>Latest Revised Budget £'000's</b>	<b>Forecast Outturn £'000's</b>	<b>Variance £'000's</b>	<b>Paragraph</b>
Pay	9,205	9,205	0	
Other revenue budgets	9,533	9,463	(70)	
Reserves	(4,142)	(4,142)	0	17
<b>Financed by:</b>	<b>14,596</b>	<b>14,526</b>	<b>(70)</b>	
Collection Fund surplus	(81)	(81)		
Business Rates	(4,376)	(4,376)		
Revenue Support Grant	(2,778)	(2,778)		
Council Tax	(6,391)	(6,391)		
New Homes Bonus	(970)	(970)		
<b>Forecast underspend at end June 2017</b>	<b>0</b>	<b>(70)</b>	<b>(70)</b>	
<b>Due to:</b>				
<u>Recurring variations</u>				
CCTV costs of shared service			(50)	7
Insurance savings			(38)	8
Pension fund contribution savings			(112)	9
<u>One-off variations:</u>				
Increased income			(140)	10
Markets income reduction			59	11
Energy costs savings			(40)	12
Savings in income sharing arrangement with Liberata			(133)	13
Top up of business support programme			95	14
Costs of workforce planning exercise			100	15
Increased revenue contribution to capital outlay (rcco)			90	16
Other net savings			(1)	
Budgeted efficiency target			<b>100</b>	
Overall underspend position			<b>(70)</b>	

In setting the budget for 2017/18, it was assumed that £150k would be saved through not filling posts immediately. The latest position is that £96k of salary savings have been secured to date. In forecasting the outturn position above to the 31 March 2018, it is assumed that the target will be achieved.

It was also agreed that there would be an in-year efficiency savings / additional income target of £100k. It is forecast that this will be exceeded by £70k.

7. **CCTV cost savings (- £50k)**

Efficiency savings arising from the shared service with Blackburn with Darwen Council.

8. **Insurance savings (- £38k)**

These have accrued as a result of efficiencies achieved from the insurance contract.

9. **Pension contribution savings (- £112k)**

An annual saving equating to a rate of return of 3% was achieved by making a pre-payment to the Lancashire pension fund. Given the base rate of 0.25% and treasury investments for 2016/17 achieving an average rate of return of 0.49%, this is a significant increase.

10. **Increased income (- £140k)**

Heads of service have reported an overall increase in forecast income for the year. This includes £70k for disabled facilities due to additional grant allocations resulting in more schemes completed, £35k for various services within Streetscene (including green and trade waste), and £35k for repayments from Burnley Leisure.

11. **Markets income reduction (£59k)**

The Markets manager has reported a forecast shortfall in income of £59k due to an increase in vacant stalls and less footfall in the market.

12. **Energy cost savings (- £40k)**

Based on current trends and consumption, it is estimated that a £40k saving on gas and electricity costs can be achieved in 2017/18.

13. **Strategic partnership savings (- £133k)**

The Council has an income sharing agreement with Liberata. This agreement incentivises both parties to achieve more income by Liberata staff identifying errors in single persons discount, council tax support, and the receipt of new homes bonus by returning empty properties back into use. Mainly due to the changes in the funding allocations methodology for new homes bonus, the partner will only receive a payment of £48k for the year compared to a budgeted £167k (saving £119k). Although this is a saving to the Council, it means that the Council will not receive as much additional income in future years as was hoped.

The Council also has an agreement about the funding of additional pensions costs for those staff transferred to the partner after the date of transfer. This protects both the staff and the partnership should unforeseen changes occur. The pensions actuarials have reestimated the funding position of the transferred pension liability and identified a saving of £14k. Liberata have agreed to pass this saving to the Council.

14. **Business Support Programme (£95k)**

A top-up is required in the business support programme funding to meet forecast demand in the current year.

**15. Workforce planning costs (£100k)**

The Council is making significant progress in identifying areas for efficiencies in order to close the £1.8m funding gap in the medium term financial strategy for 2018/19. This will inevitably mean some staffing reductions and consequential costs of redundancies and pension strain. These costs resulting from the workforce planning report due to be completed in September 2017 will be chargeable to this financial year. Early indications are that these costs will be in the region of £100k as last years resulted in thirteen staff being made redundant at a cost of £219k. Every effort will be made to minimise the impact on staff and the costs.

**16. Revenue Contribution to Capital Outlay (RCCO £90k)**

Lancashire County Council have informed the Council that the estimated cost of the Lower St James street capital scheme has increased by £90k from £560k to £650k. It is proposed that this cost is funded from in-year revenue underspends by way of a RCCO. LCC have indicated that if there is sufficient funds available at the completion of the overall growth deal programme, then they will compensate the Council for this additional cost. The overall programme will not be complete for a few years.

**17. Earmarked Reserves**

The table in Appendix 4 summarises the latest position. The recommendation is to release a net £1.582m from reserves to fund previously committed schemes in the capital programme and the revenue services. These include Vision Park, the land at Grove Lane, Lower St James street pedestrianisation, Padiham Town Hall and the revenue budget carry forwards for services approved in the 2016/17 closure of accounts.

**18. Revenue Implications of the Changes to the Capital Budget**

The proposed revised capital budget for 2017/18 includes a use of Prudential Borrowing totalling £3,956,882.

The revenue implications of borrowing £3,956,882, are an increase in the Minimum Revenue Provision [MRP] of £135k and an interest charge, assuming 3% on the borrowing would equate to £119k.

The MRP costs are not incurred until 2018/19, and the interest cost will be dependent on the timing of the borrowing. The full year costs will be included within the revenue budget for 2018/19.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

19. As shown in the body of the report.

## **POLICY IMPLICATIONS**

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

## **DETAILS OF CONSULTATION**

21. None.

## **BACKGROUND PAPERS**

22. None

**FURTHER INFORMATION  
PLEASE CONTACT:**

**David Donlan - Accountancy Division  
Manager**