

Revenue Monitoring Report 2018/19 – Quarter 1 (to 30 June 2018)

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 2019 based upon actual spending and income to **30 June 2018**.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast breakeven position, see Revenue Budget Summary and detailed Service Reports below and Appendix 2.

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

- b. The latest revised budget of £15.09m as shown in Appendix 1, and
- c. The net transfers from earmarked reserves of £0.747m as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2018/19 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 three in-year reports on revenue budget monitoring presented to the Executive and Scrutiny Committee during the course of the financial year. This is the first in-year report for 2018/19. In addition to these three 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 and capital budgets. 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 contribution over £50k.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £15.09m as shown in Appendix 1.

6. Revenue Budget Summary

As at the end of June 2018, the overall financial position is currently projected to breakeven, as shown in the table below:

	Latest Revised Budget £'000s	Forecast Outturn £'000s	Variance £'000s
Pay	9,118	9,072	(46)
Other revenue budgets	6,416	6,326	(90)
In-year efficiency savings target	(250)	(114)	136
Reserves	(194)	(194)	-
	15,090	15,090	-
Financed by:			
Council Tax	(6,739)	(6,739)	-
Business Rates	(5,473)	(5,473)	-
Revenue Support Grant	(2,228)	(2,228)	-
New Homes Bonus	(561)	(561)	-
Council Tax surplus	(89)	(89)	-
Forecast (under) / over spend as at end of June 2018	-	-	-

Salary Savings Target

In setting the budget for 2018/19, it was assumed that £150k would be saved by not filling posts immediately. The latest position is that £118k of salary savings have been secured to date. This includes £5k identified through the senior management restructure approved in February 2018. In forecasting the outturn position above to the 31 March 2019, it is assumed that the target will be achieved.

Non-salary Savings Target

It was also agreed that there would be an in-year efficiency savings / additional income target of £250k. The latest position is that £136k of non-salary savings have been secured to date, leaving a shortfall of **£114k** to identify during the remainder of the year. It is forecast at this early stage that this target will be achieved; however this will be monitored closely throughout the year.

7. Service Reports

The following tables show the Council's service units and their corresponding current forecast outturn position in comparison to their revised budget and the previously reported variance. As this is the first in-year monitoring report there are no previous forecasts for comparison.

a. Management Team

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Management Team	333	333	333	-	-	-
Total	333	333	333	-	-	-

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

b. Policy and Engagement

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Emergency Planning	2	2	2	-	-	-
Communications	80	80	80	-	-	-
Community Engagement	204	227	227	-	-	-
Performance & Policy	113	134	134	-	-	-
Management & Admin	70	70	70	-	-	-
Total	469	513	513	-	-	-

A Digital Transformation budget was agreed by the Executive at its meeting on 24th April 2018. iDox have now been appointed to support digital transformation in planning, land charges and housing. The first phase of delivery is underway.

Salary savings of £27k from a vacant communications officer post have been recognised for the year.

c. People and Development

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
People & Development	250	258	258	-	-	-
Total	250	258	258	-	-	-

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

d. Green Spaces and Amenities

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Bereavement Service	(850)	(874)	(874)	-	-	-
Parks & Green Spaces	1,506	1553	1,553	-	-	-
Art Gallery & Museum	223	223	223	-	-	-
Transport	73	73	73	-	-	-
Total	952	975	975	-	-	-

Salary savings of £35k in respect of a vacant head gardener post have been identified during this quarter. This saving has been used to fund an increase in the cost of the Thompson Park HLF capital scheme rather than being used to meet the corporate salary savings target. This means that the Council does not have to find additional capital resources to fund the increased capital budget.

Income continues to be closely monitored during the year to enable early identification of areas where a forecasted shortfall of excess of income within the year so that remedial action can be taken. There is nothing to report at this stage and income is expected to meet the targets set.

Savings approved as part of the 2018/19 budget setting process are on target and will be achieved.

e. Legal & Democratic Services

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Legal Services	293	289	264	(25)	-	(25)
Governance	788	788	788	-	-	-
Total	1,081	1,077	1,052	(25)	-	(25)

Salary savings of £61k have been identified and used to meet the corporate salary saving target reported in paragraph 6 above. These relate to the Procurement Officer post becoming vacant from September 2018, the vacant Head of Legal post from April to August 2018 and a vacant Principal Legal Officer post.

An insurance saving of **£25k** has been identified and reported.

Legal & Democratic Services, alongside the Finance Business Partner, will be closely monitoring the Local Land Charges income, and will report any variances once they become apparent.

f. Finance and Property

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Finance Unit	711	744	744	-	-	-
Property	(353)	(383)	(307)	76	-	76
External Audit	65	65	65	-	-	-
Mortgages / HA Loans	(61)	(61)	(61)	-	-	-
Misc Income & Expend	(10)	(10)	(10)	-	-	-
Treasury	935	935	925	(10)	-	(10)
Total	1,287	1,290	1,356	66	-	66

Salary savings of £26k, relating to the vacant Finance Manager and Auditor posts, have been identified and used to meet the corporate salary saving target reported in paragraph 6 above.

A projected shortfall in rental income of **£76k** has been identified to take place in 2018/19. The shortfall is due to the transfer of Brunshaw Avenue Shops to Calico (£16k), vacant offices in Padiham Town Hall which became vacant following the flood damage to the building in December 2015 (£26k) and a reduction in the 10% contribution we receive from the rental of Charter Walk properties (£34k). Rental income will continue to be closely monitored during the year and any longer-term shortfalls in income will be reflected in the Medium Term Financial Strategy.

Treasury costs continue to be monitored closely during the year. It is anticipated that there will be an interest rate increase during 2018 which will result in increased future borrowing costs and interest receivable by the Council.

g. Revenues and Benefits

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Revs & Bens Client	(391)	(391)	(391)	-	-	-
HB Payments/Subsidy	(74)	(74)	(74)	-	-	-
Council Tax Support	(165)	(165)	(165)	-	-	-
Cost of Collection	(703)	(703)	(703)	-	-	-
Total	(1,333)	(1,333)	(1,333)	-	-	-

Caseload numbers continue to reduce due to Universal Credit. This has resulted in a reduction in the amount of housing benefit payments made to claimants during the year with a corresponding reduction in housing benefit subsidy received from the Department for Work & Pensions. This will continue to be monitored during the year.

h. Leisure Trust Client

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Mechanics & Arts	47	47	47	-	-	-
Leisure Centres	557	557	557	-	-	-
Total	604	604	604	-	-	-

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

i. **Streetscene**

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Engineering Services	120	126	126	-	-	-
Community Safety	245	245	245	-	-	-
Car Parking	(565)	(568)	(568)	-	-	-
CCTV	137	139	139	-	-	-
Environmental Servs	2,737	2,774	2,774	-	-	-
Regulation	(244)	(244)	(244)	-	-	-
Management & Admin	725	727	727	-	-	-
Total	3,155	3,199	3,199	-	-	-

There are no variances or issues of concern, including income, to report in this quarter. Income and expenditure budgets will continue to be monitored into quarter 2 to identify shortfalls or excess income.

j. **Housing and Development Control**

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Housing	413	496	496	-	-	-
Development Control	(68)	(68)	(68)	-	-	-
Building Control	83	83	83	-	-	-
Selective Licensing	(49)	(49)	(49)	-	-	-
Total	379	462	462	-	-	-

There are no variances or issues of concern to report in this cycle. Housing and Development Control, alongside the Finance Business Partner, will be closely monitoring both Disabled Facilities Grant fee income and Planning income, and will report any variances once they become apparent.

k. Economy and Growth

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Markets	91	104	104	-	-	-
Planning Policy	198	198	198	-	-	-
Economic Devt	472	454	484	30	-	-
Regeneration Devt	520	538	538	-	-	-
Management & Admin	123	139	139	-	-	-
Total	1,404	1,433	1,463	30	-	-

Paragraph n gives further details of a transfer of revenue budget to Earmarked Reserves relating to the Burnley-Pendle Growth Programme.

There is a budget variance of **£30k** in economic Development compared to the forecast. This is due to a projected shortfall in income from the Vision Park Development. The original budget had been based on the building being completed in October 2017. It was finally completed and handed over to the Council in January 2018 creating delays in letting the units. Eight out of 17 units or 47% of the floor space units is now occupied and the other units are being actively marketed. There are 5 active enquiries. There will always be a degree of vacancies in these units and it is anticipated that in future years they will be 85% occupied, but this will be subject to churn and market conditions.

It is also worth noting the Market Hall income is similarly volatile and difficult to predict. We continue to monitor the position and are actively marketing vacant units as well as carrying out some works to address the ventilation problems in the market.

l. Strategic Partnership

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Strategic Partnership	3,610	3,610	3,550	(60)	-	(60)
Total	3,610	3,610	3,550	(60)	-	(60)

The Council set aside £90k during the budget setting process for 2018/19 for additional income that could have been due to Liberata in respect of work undertaken in 2017/18 to increase the Council's taxbase for 2018/19 onwards. It is estimated that £30k is required which has resulted in a saving of **£60k** for the year.

m. Corporate Budgets

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Democratic Represent'n	21	21	21	-	-	-
Corporate Management	75	75	75	-	-	-
Corporate Costs	1,626	1,615	1,604	(11)	-	(11)
Statutory Adjustments	1,690	1,697	1,697	-	-	-
Taxation & Grants	(596)	(545)	(545)	-	-	-
Total	2,816	2,863	2,852	(11)	-	(11)

As part of the savings proposals for 2018/19, the Council has prepaid the employer's pension contributions for the year to the Lancashire Pension Fund. In addition to the original saving, it is estimated that this will achieve further savings of **£46k** in 2018/19.

The re-profiling of capital schemes from 2017/18 to 2018/19, that are being funded from prudential borrowing, has resulted in a one-off saving of **£32k** in the Minimum Revenue Provision (MRP) cost for 2018/19. The MRP cost is the charge to revenue for the repayment of the principal amount borrowed based on the estimated life of the asset and is not incurred until the year after the schemes are completed.

Based on utility usage during the previous twelve month period, it is estimated that there will be an underspend of **£54k** during 2018/19. This will continue to be monitored closely during the year and any longer term savings will be incorporated into the Medium Term Financial Strategy.

A net reduction in the rateable value of a number of the Council's administrative and operational buildings has resulted in an underspend on the business rates payable by the Council of **£15k** for 2018/19.

As mentioned in paragraph 6, non-salary savings of **(£136k)** have been secured to date. This reduces the target of £250k for in-year efficiency savings / additional income, leaving a shortfall of £114k to identify during the remainder of the year.

n. Earmarked Reserves

The table below shows the current forecast outturn position and compares this with the revised budget.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't £'000s
Earmarked Reserves	83	(194)	(194)	-	-	-
Total	83	(194)	(194)	-	-	-

There is no proposed use of reserves in 2018/19 to support revenue expenditure. However, any shortfall in meeting the salary savings and in-year efficiency savings targets within 2018/19 will need to be met from reserves. At this stage it is expected that these targets will be achieved.

Proposed increased use of reserves during quarter 1 of **£747k**, shown in Appendix 3, is detailed below:

- Transfer of the Burnley-Pendle Growth Programme from a revenue budget, contained within Economy and Growth, to the capital programme and **reducing** the Growth Reserve utilisation by **(£200k)** in 2018/19, from £400k to £200k. The remaining £200k will be re-profiled into the 2019/20 capital programme.
- **Increased** utilisation of the Growth Reserve to fund capital slippage from 2017/18 into 2018/19 of **£246k** for Former Open Market & Former Cinema Block (£20k), Thompson Park Restoration Project (£132k) Building Infrastructure Works (£92k) and Lower St James Street (£2k) capital schemes.
- **Increased** utilisation of the Transport Reserve of **£3k** to finance the acquisition of vehicles and ground maintenance equipment in the capital programme.
- **Increased** utilisation of the Flood Reserve of **£39k** to fund retention works for the Padiham Town Hall-Flood Works (£3k) and Building Infrastructure Works (£36k) capital schemes.
- Utilisation of the Town Centre Management Reserve of **£375k** to finance the Contribution to Shopping Centre Development capital scheme.
- Utilisation of Town Centre Masterplan Reserve of **£18k** for the further development of the masterplan.
- Grants received in 2017/18 which remained unspent at the end of the financial year were transferred into the Grants Unapplied Reserve as part of the 2017/18 Final Outturn Report. These budgets, totalling **£163k**, are required in 2018/19 and will be financed by the utilisation of the Grants Unapplied Reserve.

- Further carry forwards of **£42k** approved as part of the 2017/18 Final Outturn Report, are required in 2018/19 and will be funded from the Transformation Reserve.
- A Digital Transformation budget of **£61k** was agreed by the Executive at its meeting on 24th April, funded from the Transformation Reserve.

The use of reserves shown above has previously been approved as future commitments.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

10. Management Team
Heads of Service

BACKGROUND PAPERS

11. None

FURTHER INFORMATION

PLEASE CONTACT:

Howard Hamilton-Smith – Finance Manager

ALSO:

Asad Mushtaq – Head of Finance & Property