

**REPORT TO EXECUTIVE**



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| <b>DATE</b>          | <b>11th January 2011</b>                    |
| <b>PORTFOLIO</b>     | <b>Resources</b>                            |
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**Revenue Budget Monitoring – Cycle 3**

**PURPOSE**

1. To report the latest position on revenue spending and income for 2010/11 and show any significant variations from the approved revenue budget as at 30th November 2010 and to forecast the outturn position for the year ended 31st March 2011.
2. To recommend any changes to the approved revenue budget which are considered necessary
3. To highlight areas where further information has been requested from Heads of Service
4. To determine any areas where Members require further information in addition to that already requested and supplied.

**RECOMMENDATION**

5. Members are recommended to:
  - a) approve the net salary savings as shown in Appendix 1
  - b) seek the approval of full Council for the net decrease in budgets resulting in transfers to earmarked reserves as shown in Appendix 2
  - c) note the forecast of a revenue budget overspend shown in Appendix 3 and the revised position on net revenue spending as shown in Appendix 4
  - d) indicate the preferred action to eliminate the areas of estimated additional net spending on the revenue budget

**REASONS FOR RECOMMENDATION**

6. To give consideration to the level of revenue spending and income in 2010/11 and to ensure that the budget is revised where appropriate to reflect changing circumstances.

## SUMMARY OF KEY POINTS

7. Revenue Budget Monitoring Process

There are 4 in-year reports on revenue budget monitoring presented to the Executive and the Finance & Performance Scrutiny Panel during the course of the financial year. This is the third of these reports for 2010/11. In addition to these 4 reports there is a final report to consider the actual spending at the end of the financial year compared with the revised revenue budget.

8. In addition, all budgets are monitored each month with separate summary reports being presented to the relevant Executive Member portfolio holder.

9. Revenue Budget Preparation and Variation

The Council's revenue budget is approved each year prior to the start of the financial year. There is a report to each meeting of full Council showing proposed changes to the revenue budget. Changes to the budget overall can only be made through one of the following:

- a) a decision of the Executive which is recommended for approval by Full Council
- b) a decision by the Executive Member for Resources and the Director of Resources under delegation on establishing a budget where all the spending is to be externally funded
- c) an emergency expenditure approval

10. Other changes to the budget by means of transfers, or "virements" as they are more usually referred to, can be made by Heads of Service within service budgets for transfers up to £10k (with the exception of salary budgets). But any salaries virements, the transfer of budgets from one service to another or virements in excess of £10k need Management team approval.

11. Service Unit Budgets

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.

12. **Appendix 1** shows that there is **net salary savings** of £108k recorded in this revenue monitoring cycle which brings the total to £291k (original budget of £200k was revised in cycle 1 to £250k). These count towards the proposed revised £300k corporate salary savings target. Given the increased target of £300k there is still a further £9k yet to be achieved. As part of the budget 2011/12 process, a number of vacant posts have been identified to be deleted and therefore the increased target in this year will be achieved.

13. **Appendix 2** shows proposed changes to budgets where funding is transferred from or to **earmarked reserves**. It can be seen that there is an estimated overall increase in net spend of £291k and that this is matched by a similar increase in net contributions from earmarked reserves.

14. **Appendix 3** shows the forecast of revenue budget variances anticipated as a result of **estimated changes to the forecast position at year end**. In this monitoring cycle there are net decreases in estimated spending of £135k. The major changes are:

#### Increases

- a) Property Services Recharges to Capital Schemes (£28k) – It is now forecast that there will be a shortfall in income due to reduced work undertaken on the revised capital programme. £20k of this was an increase to the budget to achieve savings targets for 2010/11. As this will not be achieved, the pressure will continue into 2011/12 unless alternative savings are identified.
- b) NNDR / Council Tax Court Fee Income (£27k) – There is an estimated net shortfall of £130k in court fee income for 2010/11, £103k of which was reported in cycle 2. This is due to a combination of three different reasons. Firstly, the number of summonses issued has been decreasing year on year. A number of taxpayers now receive full council tax benefit as result of losing work through redundancy and/or the disregard of child benefit in the calculation of council tax benefit. This has contributed to the reduction in the numbers of taxpayers who would have previously received a summons. Secondly, there has been an increase in court fees for the Magistrates Court for the issue of a liability order from £0.70 to £3.00. Thirdly, that the court fee income budgets have been increased by inflation during the financial years 2005/06 to 2009/10 whilst the fee has remained at £85. Full Council approved a report produced by the Head of Revenues and Benefits detailing proposals to increase fee income from the 1<sup>st</sup> April 2011.
- c) Off Street Car Parking Enforcement Income (£18k) – There is a £53k income shortfall for Fixed Penalty Notices (PCN's). £35k of salary savings have been utilised to offset this leaving an overspend of £18k.
- d) Car Parking Income (£16k) – A shortfall is now predicted on the budget of £962k which may be caused by the economic downturn.
- e) The Minimum Revenue Provision (MRP) (£16k) – This is the amount the Council has set aside as a provision towards its capital expenditure financed by borrowings. The requirement has been increased by £16k as a result of identifying assets that can be financed through borrowing and repaid over longer periods due to the nature of the assets.
- f) Other Minor changes (£1k) – A number of other variations have been identified of less than £10k.

TOTAL INCREASES £106k

#### Decreases

- g) Green Spaces Income (£29k) – There is currently an overall estimated surplus in Green Spaces income for 2010/11 of £8k compared to a previously reported shortfall of £21k. This has been achieved by using salary savings to reduce the income budgets for golf and Towneley hall.
- h) NNDR Discretionary Relief (£14k) – The budget for NNDR discretionary relief in 2010/11 is £28,257. This was increased to £57,000 in cycle 1 as demand has

grown in the previous year (spend in 2009/10 was £67,194 which included backdated relief). Savings have been identified to reduce this overspend by £14k.

- i) Net Interest Payable (£10k) – The estimated interest receivable on temporary investments has been increased due to an improved cash flow position and the opening of a higher interest bearing call account with Lancashire County Council.
- j) St Peter's income (£21k) – Casual staff savings have been utilised to reduce the income targets at St Peter's in order to offset a previously reported shortfall in income.
- k) Concessionary Travel (£100k) – The latest figures from Lancashire County Council suggest that there will be an underspend of £200k on reimbursements to operators during 2010/11. £100k was reported within cycle 2.
- l) Vacant Posts Salary savings (£50k) – As mentioned in paragraph 12, it is believed that the revised £250k savings budget will be exceeded and the current estimate is that a minimum of £300k will be achieved as a result of the number of vacant posts.
- m) Fees & Charges 3% Increase with effect from 4/1/11 (£10k) – The Council on the 16<sup>th</sup> December, agreed to raise fees and charges where possible by an average of 3% from the 4th January 2011 at the same time that VAT rises from 17.5% to 20%. It is estimated that this decision will provide additional income in the region of £10k in the final quarter of 2010/11.
- n) Other Minor Changes (£7k) – A number of other variations have been identified of less than £10k.

TOTAL DECREASES £241k

TOTAL NET DECREASES £241k - £106k = £135k

15. 2010/11 Savings Targets

As part of the 2010/11 budget setting process, it was agreed to make savings of £540k in order to reach a balanced budget. Heads of Service have confirmed that the majority of these savings will be achieved with the exception of the following :-

| Service      | Savings Target Description   | £000      | Current Saving not achieved £000 |
|--------------|------------------------------|-----------|----------------------------------|
| Property     | recharges to capital schemes | 20        | 20                               |
| <b>Total</b> |                              | <b>20</b> | <b>20</b>                        |

16. These unachieved savings have now been included within Appendix 3.

17. Procurement Savings

Procurement activity in the first half of 2010/11 delivered cost avoidance and cash savings to the Council of £49,716 from the Capital Programme and £226,300 from the Revenue Budget. Key achievements were detailed in the cycle two report.

Since that time, the Council Procurement post has become vacant, and activity has been focussed on supporting significant tender exercises in the Council to ensure compliance to European procurement rules specific to the following projects:

- Burnley Bus Interchange – maintenance contract
- Council telephony replacement project (2011) and:
- Family Intervention Project for 2011/12

Work is in progress and savings estimates will be provided in due course.

Revenue Cash Savings:

Review of furniture budgets in all service units has enabled £10,800 to be redirected to support redundancy training costs.

The Council has secured resource from the Lancashire Procurement Hub one day per week, free of charge, to temporarily support procurement activity. A full time replacement will be appointed in January and will be tasked with delivering the procurement work programme for 2011 that has identified up to £135,000 cash savings; subject to confirmation.

It is anticipated that up to £5,000 in savings will be captured in the remainder of the 2010/11 financial year; this is in addition to the £49,716 reported above. In April 2011 this post will be reduced to part time, with a primary focus on delivering procurement cash savings.

Revenue Cost Avoidance:

The appointment of consultancy support to draft the specification for a new telephony system, via a Buying Solutions<sup>1</sup> framework, has delivered a saving of £3,000 through not needing to undertake a procurement exercise to secure a supplier. We have also negotiated an additional five consultancy days free of charge as part of the arrangement.

<sup>1</sup> Central Government procurement agency

18. Strategic Plan

All financial resources (revenue and capital) should be utilised in helping the Council achieve its strategic objectives. Although it is too early to assess the success in achieving these, a number of funding areas have been reduced totalling approximately £3m as part of the Governments' cuts to public spending. These include £2.1m in Regenerate funding for Housing Market Renewal (HMR), £300k for Area Based grants and nearly £500k for Performance Reward grant. The Council has taken steps to try to minimise the impact on the delivery of the strategic plan.

19. Ward Opportunities Fund

As at the 30<sup>th</sup> November, £24,876 has been committed of the £50,000 revenue budget.

20. Other Specific Areas of Concern / Points to Note

Former Capital schemes transferred to Revenue – Changes in the recommended practice for the treatment of certain types of spend including feasibility studies mean that these costs can no longer be treated as capital. The exact level of expenditure that the Council will incur is still difficult to estimate with accuracy at this stage but there were schemes totaling over £40k that have been taken out of the capital programme during the 2009/10 closure process for which there is currently no budget.

Revenue Recharges to Capital schemes – As part of balancing the revenue budget for 2010/2010 an assumption was made that a level of £1,379,777 would be recharged through capitalised salaries to the capital programme. This budget assumption was estimated against an original capital budget figure of £19,556,403 [being 6.9% of the overall budget financing capitalised recharges].

Given the overall capital programme reduction from £20m down to £14m of which the Housing Improvement Programme element reduced from £14.8m down to £10.8m it seems unlikely that all the £1.4m income will be capable of being charged in 2010/2011 and a small reduction has been projected in Appendix 3. Any reduction in the £1.4m income will impact on the Revenue Budget requiring additional resources in 2010/2011.

Redundancy and Pension Strain costs – In the report to the Executive on the 20<sup>th</sup> December on workforce planning, it was recommended to Full Council that 67 posts be made redundant. The cost of these recommendations are estimated to be £127,256 for pension strain and £408,516 for redundancies. The revenue budget for the pension strain should be sufficient to cover the pension strain costs. A capitalisation directive has been requested for the redundancy costs. However, if this is not successful, then other yet to be identified revenue resources will have to be found to fund these costs.

21. Revised Revenue Budget Position

**Appendix 4** shows the **summary position** on the revenue budget after incorporating the estimated variances to the budget as proposed in Appendices 1, 2 and 3. Members are asked to approve the revised budget under the “new approved budget” column in Appendix 4 which incorporates the salary savings and transfers to or from earmarked reserves as shown in appendices 1 & 2 respectively. Appendix 4 also shows the cumulative salary savings approved and offered up to date for each service unit.

22. Appendix 4 shows an estimated £2k overspends which represents an overall “bottom-line” increase in total estimated 2010/11 net revenue. However, this includes a one-off saving of £200k that will not be available next year on concessionary travel. After excluding this one-off saving, the overall position would have been much worse. Heads of Service have addressed any areas of concern within 2010/11 monitoring as part of their review of the continuation of service estimates for 2011/12 and this is designed to minimise any ongoing budget problems.

23. It is now forecast that the outturn position will be in line with budget at year end. As at 31<sup>st</sup> March 2010, the Council maintains the recommended minimum level of General Balances which were prudently set at the level of £1.1 million as part of the Council's medium term financial strategy. It is expected that this will still be the position at 31<sup>st</sup> March 2011.

#### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

24. As shown in the body of the report and appendices

#### **POLICY IMPLICATIONS**

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

#### **DETAILS OF CONSULTATION**

26. Management Team and Heads of Service

#### **BACKGROUND PAPERS**

27. Revenue Budget 2010/2011

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

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**ALSO:**

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