

REPORT TO EXECUTIVE



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PORTFOLIO	Resources
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Revenue Budget Monitoring 2011/12 – Cycle 1 (to 30th June 2011)

PURPOSE

1. To report
 - a) any significant variations from the approved 2011/12 revenue budget, and
 - b) the forecast outturn position for the year as at 31st March 2012 based upon actual spending and income to 30th June 2011.
2. To recommend any changes to the approved revenue budget which are considered necessary
3. To report to Members on progress in achieving the 2011/12 revenue budget savings.
4. To determine any areas where Members require further information.

RECOMMENDATION

5. Members are recommended to:
 - a) approve the net salary savings as shown in Appendix 2
 - b) seek the approval of full Council for the net increase in budgets to be funded from earmarked reserves as shown in Appendix 3
 - c) note the forecast of a revenue budget overspend shown in Appendix 4
 - d) note the progress in achieving 2011/12 revenue budget savings targets as shown in Appendix 5
 - e) note the revised position on net revenue spending as shown in Appendix 6
 - f) approve any recommended 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 2011/12 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 first of these reports for 2011/12. 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 approved 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. It should be noted that an assumed savings figure of £250k relating to unfilled posts during the financial year was included within the original approved 2011/12 revenue budget. This amount is not allocated to service units but is shown as a corporate saving. When savings in service unit salaries budgets are identified during the financial year then these count against the £250k corporate savings target and the relevant service unit salaries budgets are reduced.
12. 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.
13. **Appendix 1** shows that there are total **salary savings** of £187k identified as at the end of June. Where it is known that a vacant post is to remain vacant for a longer period, then this amount has been recorded. However, Management Team have agreed to utilise £63k of these savings to offset additional spending and £4k is yet to be approved.

Appendix 2 shows that there are **net salary savings** of £120k recorded in this revenue monitoring cycle which count towards the £250k corporate salary savings target. This leaves a further £130k and this should be capable of being achieved during the remainder of 2011/12.

14. **Appendix 3** 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 £193k and that this is matched by a similar increase in net contribution from earmarked reserves. The £193k net funding increase can be explained as follows:

- a) To fund additional revenue expenditure for Burnley Branding (£20k), community safety schemes (£184k), and building control (£1k).
- b) In addition there is a reduction of £12k because cost and funding of posts within the Revenues and Benefits unit has been moved from 2011/12 into 2012/13.

The current overall estimated position is that there will be a net contribution to reserves of £314k in 2011/12 and this is detailed in the table below:

Earmarked Reserves	Balance 1/4/11	Movement in Year				Projected Balance 31/3/12
		Original Budget	Changes to date	App. 3	Revised Budget	
	£000	£000	£000	£000	£000	£000
Building Control	84	(33)	0	(1)	(34)	50
HB Admin subsidy	110	(74)	0	12	(62)	48
Taxi Licensing	20	(14)	0	0	(14)	6
Community Regeneration	1,673	(375)	(145)	(204)	(724)	949
Modernisation reserve	1,007	0	(337)	0	(337)	670
Transport & Plant	43	52	(11)	0	41	84
Selective Licensing	189	0	0	0	0	189
Financial Instruments Shortfall	796	0	0	0	0	796
Local Housing Allowance	5	0	0	0	0	5
Local Planning	196	0	0	0	0	196
Utilities Equalisation	100	0	0	0	0	100
Transition Grant	0	1,444	0	0	1,444	1,444
Total Net contribution to / (from) reserves	4,223	1,000	(493)	(193)	314	4,537

15. **Appendix 4** shows the estimated non-salary revenue budget variances and the resultant **estimated change to the forecast position at year end**. In this monitoring cycle there are estimated increases in net spending of £34k. The major variances identified in this cycle are:

Increases

- a) Leisure Facilities Income shortfall (£37k) – Income from future fitness classes is continuing to fall this year and it is estimated that the shortfall for the year will be £16k based on current numbers. This is due to an increasing number of people taking advantage of an all-inclusive membership just for Future Fitness classes resulting in a drop in pay and play income for classes.

Sports Hall hire has also seen a decline in the number of sessions booked during the first quarter of 2011/12. As a result it is expected that there will be an estimated income shortfall of £9k for the year.

School swimming income has also fallen this year with an estimated shortfall of £7k for 2011/12. This is due to the reduction in the number of swimming sessions booked by schools.

Car park income (St. Peter's) has seen a reduction in the amount collected. It is estimated that the reduction for the year will be £5k.

- b) Property Consultancy Rental Income (£21k) – There is a £9k shortfall in rent caused by the major tenant at Padiham Town Hall vacating from January 2012 and a further £12k shortfall in rent due to a number of other tenancies being vacated.
- c) Waste & Cleansing Contract (£20k) – The base budget for 2011/12 has to be adjusted for an uplift in the contract based on the retail prices index (rpi) as at the end of March 2011. The rpi was 4.3% which is higher than that forecast of 2.5% when setting the budget and the additional cost is £55k. As mentioned in paragraph 13 and seen in Appendix 1, the Streetscene service has requested that Management Team allow the use of £35k of salary savings to offset part of this increase in 2011/12.

The way in which this ongoing cost of £55k is dealt with in future years needs further consideration as salary savings may not be able to reduce the burden in 2012/13 and beyond.

- d) Housing Benefit Subsidy (£44k) – The estimated outturn for net housing benefit and council tax benefit payments is currently £44k over budget for the year, based on payments made to the 30th June.
- e) Car Parking Income (£37k) – The projection for car parking income for the year is that there is a shortfall in income of £37k.

TOTAL INCREASES £159k

Decreases

- f) External Audit Fee (£23k) – The estimated reduction in the audit fee for 2011/12 is £23k is based on a revised notification from the Audit Commission.
- g) NNDR Discretionary Relief (£24k) – Projected spending on discretionary relief for NNDR in 2011/12 is £33k compared to the budget figure of £57k.

- h) Court Fee Income (£73k) - The additional court fee income is as a result of the introduction of a fee for liability orders for both Council Tax and NNDR together with the increase in the fee for NNDR summons costs.
- i) Curzon Street Car Park (£4k) – The delay in undertaking the Curzon Street redevelopment means that anticipated savings in costs of NNDR and water drainage charges of £51k will not be achieved. These are more than fully offset by estimated additional car parking income from the site of £55k.
- j) Other Minor savings (£1k)

TOTAL DECREASES £125k

TOTAL NET INCREASES £159k - £125k = £34k

16. 2011/12 Savings Targets

As part of the 2011/12 budget setting process, it was agreed to make savings of £3.322m including £2.536m achieved through the workforce planning exercise. The balance was £786,552 and Heads of Service, Management Team and the Executive identified a number of savings in order to reach a balanced budget. Heads of Service and Management Team have confirmed that the majority of these savings will be achieved and an update of progress is included in Appendix 5.

17. The table below summarises the latest position.

	£
Already achieved	518,020
Will be achieved in 2011/12	161,250
Still to be achieved	95,500
Not achievable – other alternatives being sought	11,782
Total Savings	£786,552

Those yet-to-be-achieved savings have not been included within Appendix 4. Should these savings not be achieved, this will lead to an overspend on the Council's revenue budget in 2011/12 and future years for these items. It is recommended that Heads of Service identify alternative savings for all non-achieved savings.

18. Procurement Savings

Delivery of the Council's procurement work programme continues at a pace, with several tender exercises either completed or underway, including:

- **Telecoms replacement:** tender let to Freedom Telecom Ltd, currently moving into implementation phase – benefits to be confirmed.
- **CCTV monitoring:** tenders are currently under evaluation, which will confirm available benefits.
- **Printer cartridges:** recent tender exercise resulted in remaining with current supplier (QC Supplies) under a new framework agreement that, through reduced costs and the

- use of compatible brands, will provide annual savings in excess of £10,000. Similarly;
- **Stationery:** supplies are about to move to a newly let national framework with our incumbent supplier (Office Depot), this will also deliver significant savings on current prices; which will be confirmed in due course.
- **Janitorial/ cleaning products:** the e-tendering package Due North has been used for the first time to run this project. Based upon our knowledge of the market place, and the requirements of this particular tender, all suppliers invited to tender are local to Burnley/ Pennine Lancs. Annual savings, once contract is let, likely to be in the region of £5,000 to £6,000.
- **Utilities:** The Council has recently re-signed, initially for one year, to its existing supplier for energy (Corona) through a Government framework. A corporate group is reviewing all aspects of utility usage (gas, electricity and water) in preparation for future renewal opportunities

Procurement exercises are about to commence over the coming months covering: protective clothing & uniforms, swimming pool chemicals, drinking water/ tea and coffee supplies. Staff workshops have been organised during August to provide briefings on new purchasing arrangements, support compliance to procurement processes and provide guidance on 'bending the spend' to support local business.

A series of meet the buyer type events are currently being planned from September as part of the council's Total Business Environment (TBE) programme to further engage with local suppliers and develop a closer/ shared understanding of needs, all aimed at better enabling local business to bid for Council work.

The Due North package is seen as a useful tool to engage with local suppliers, in that it provides a portal/ shop window on council procurement opportunities for suppliers that register (free of charge). This package will be promoted through the TBE programme, and increasingly used for tender and requests for quotes.

19. Other Specific Areas of Concern

Gas and Electricity costs – There was a substantial saving in utility costs in 2010/11. Most of our energy supplies are purchased on our behalf by Buying Solutions, and the costs are fixed annually. Two contracts have recently been renewed as from 1st April, and the budgetary implications are still being quantified although indications are that there are significant rises in individual tariffs. The remaining contract will be renewed in October, and it is very difficult to predict what the results of this might be given the volatile nature of energy markets at the moment. A £100,000 reserve has been created in order to offset the potential big increases currently being reported in the media. A report is to be produced by the Director of Resources to update members in August.

Leisure and Recreation Services – Given the deficit in 2010/11, the Head of Service has taken a number of actions to ensure the net spend will be on target. At this early stage however there is a concern about achievement of income budgets (see paragraph 15a) and this is being addressed.

20. Revised Revenue Budget Position

Appendix 6 shows the **summary position** on the revenue budget after incorporating the estimated variances to the budget as shown in Appendices 2, 3 and 4. Members are asked to approve the revised budget under the "new approved budget" column in Appendix 6 which incorporates the salary savings and transfers to or from earmarked

reserves as shown in appendices 2 & 3 respectively.

21. Appendix 6 also shows a total change figure of £34k overspend (from appendix 4) which represents an overall “bottom-line” increase in total estimated 2011/12 net revenue spend and the balance of salary savings still to be met of £130k. It is however anticipated that the full year £250k salary savings target will be achieved. There will however be a further savings requirement if the balance of 2011/12 savings targets mentioned in paragraph 17 and Appendix 5 are not achieved.
22. As at 31st March 2011, the Council maintained a 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. A net overspend on the revenue budget would lead to demands to utilise general balances or, if the level of general balances is maintained at £1.1m, a further use of earmarked reserves.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

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

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

25. Management Team and Heads of Service

BACKGROUND PAPERS

26. Revenue Budget 2011/2012

FURTHER INFORMATION

PLEASE CONTACT:

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ALSO:

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