

## REPORT TO EXECUTIVE



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<b>PORTFOLIO</b>	Resources & Performance Management
<b>REPORT AUTHOR</b>	Howard Hamilton-Smith
<b>TEL NO</b>	(01282) 425011 Ext 3162
<b>EMAIL</b>	Hhamilton-smith@burnley.gov.uk

## Revenue Budget Monitoring 2013/14

## PURPOSE

1. To report the forecast outturn position for the year as at 31st March 2014 based upon actual spending and income to 30<sup>th</sup> June 2013.
2. To recommend any changes to the approved revenue budget which are considered necessary.

## RECOMMENDATION

3. Executive is recommended to:
  - a) approve a revised net budget requirement of £16,721k reflecting the updated position referred to in paragraph 8.
  - b) note the overall financial position with a projected outturn variance of £260k (under spend) as shown in the overview table in paragraph 8.
  - c) note the key risks affecting the budget position and the management action being taken to mitigate.
  - d) approve the transfers to and from earmarked reserves as shown in appendix 5.

## REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2013/14 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

5. Revenue Budget Monitoring Process  
There are 4 in-year reports on revenue budget monitoring presented to the Executive and the Resources Scrutiny Committee/Panel during the course of the financial year. This is the 1st in-year report for 2013/14. 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.
6. 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.
7. 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.

### **OVERVIEW SUMMARY**

8. a) As at the end of June 2013 the overall financial position is currently projected as £260k underspend. as shown in the table below:

	<b>Revised Budget £'000s</b>	<b>Forecast £'000s</b>	<b>Projected Variance £'000s</b>
Pay	15,001	15,001	-
Other Revenue Budgets	2,641	2,381	(260)
Use of Reserves	(998)	(661)	337
<b>Net Budget Requirement</b>	<b>16,644</b>	<b>16,721</b>	<b>77</b>
Financed by:			
Collection Fund Surplus	(54)	(54)	-
Business Rates	(3,725)	(3,725)	-
Revenue Support Grant	(5,600)	(5,600)	-
ESG	(1,782)	(1,859)	(77)
Council Tax	(5,483)	(5,483)	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

- b) In setting the budget for 2013/14 it was assumed that £250k would be saved through not filling posts immediately. The latest forecast is that **£135k** of salary savings will be realised by the end of the financial year.

### **BUDGET CHANGES**

9. Since the budget was approved the following changes have been made to the budget and are shown in appendix 1:
  - Virements approved by Management Team
  - Executive Member for Resources and Performance Management decisions confirming additional awards of grant and contributions
  - Decisions made by the Executive and confirmed by Full Council

### **KEY SERVICE CHANGES**

#### **Pensions auto-enrolment**

10. Recent legislation has been introduced that requires employers to enrol their eligible employees in a pension scheme and make mandatory employer contributions into the scheme. Employees will only be able to opt out of the scheme once the Council has auto-enrolled them into the pension scheme. The legislation also identified new areas of pay that will now become pensionable eg overtime. It is anticipated that the cost to the Council in 2013/14 will be £100k and will be met from earmarked reserves, see appendix 5.

### **Markets**

11. Reduced income from tenancies has been anticipated by the service creating a pressure of £70k in the year. Additional budget provision is proposed to be allocated – see appendix 5. However the position will be closely monitored.

## **FUNDING CHANGES**

### **Business Rates Retention**

12. From April 2013 the Government has reformed the way in which local government is funded through the introduction of the business rates retention (BRR) scheme. The scheme enables the Council to retain 40% of local collected business rates. It also enables the Council to retain 20% of any growth in business rates collected locally but conversely the council is faced with an increased risk of up to 7.5% from the loss of any business rates.
13. One of the most significant factors of risk in monitoring the new scheme is the area of appeals and refunds. Successful rating appeals not only reduce the ongoing rateable value of properties but also result in refunds in most cases going back to April 2010 (the date of the last revaluation). So in 2013/14 a successful appeal could result in business rates refunds for the financial years 2010/11 to 2012/13 as well. An estimate of the amount of appeals anticipated during the year together with the amount of refunds expected was included within the baseline calculation.
14. Monitoring to the end of June 2013 shows the Council's estimates for the year are on target to be achieved. However the change to the BRR system is a key change in the Council's finances and the position will continue to be monitored closely.

### **Council Tax/Housing Benefits**

15. There have been changes to the council tax benefit (CTB) system which has seen the introduction of a local council tax support scheme from April 2013 (replacing CTB). The introduction of this scheme has resulted in funding from central government to the Council being reduced to 90% of council tax benefit support previously received. The government decided that council tax support will take the form of council tax reductions which will have the effect of reducing the Council's council tax base. This resulted in a reduction of 5,577 in the council's 2013/14 council tax base (Band D equivalents). This was incorporated into the approved budget for 2013/14.
16. The Council implemented its Council Tax Reduction Scheme effective from April 2013 detailing how the scheme would operate for the 2013/14 financial year. The scheme has been designed to utilise the funding received in accordance with the governments guidelines whilst remaining within budget. Monitoring to the end of June 2013 shows that the assumptions contained within the original budget are still valid.

17. The introduction of the new council tax support scheme has resulted in a number of benefit claimants, who previously received full council tax benefit, receiving a council tax demand. There is therefore an increased risk in the reduction of council tax collected from 2013/14 onwards. The percentage of council tax collected at the end of June 2013 was 28.8%, compared to 29.55% at the end of June 2012.

### **RESERVES**

18. In setting the budget for 2013/14 it was assumed that £526k would be transferred from earmarked reserves during the year. Decisions taken this year have increased the amount to be transferred from earmarked reserves by £472k to £998k. A further net **£355k** transfer from reserves has been requested in this monitoring report. The forecast year-end underspending in this report of £260k has been included as a transfer into earmarked reserves.
19. The overall position, after these requests and incorporating the forecast year-end underspending, is a net contribution from reserves of £1.093m since the budget was set as shown in appendix 5. Transfers to and from earmarked reserves have been requested for approval through this monitoring report and brief descriptions are shown. General Reserves remain unchanged at £1.379m.

### **RISKS**

The main risks are around funding changes shown in paragraphs 11 to 16.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

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

## **POLICY IMPLICATIONS**

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

## **DETAILS OF CONSULTATION**

22. Management Team and Heads of Service

## **BACKGROUND PAPERS**

23. None

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Howard Hamilton-Smith – Principal Accountant**

**ALSO:**

**Phil Moore - Head of Finance & Property  
Management**