

REPORT TO FINANCE & PERFORMANCE SCRUTINY PANEL AND EXECUTIVE
--



<b>DATE</b>	<b>8th and 14th October 2008</b>
<b>PORTFOLIO</b>	<b>Resources</b>
<b>REPORT AUTHOR</b>	<b>David Donlan/Phil Moore</b>
<b>TEL NO</b>	<b>(01282) 477173 or 01282 425011 x2216</b>
<b>EMAIL</b>	<b>pmoore@burnley.gov.uk</b>

<b>Revenue Budget Monitoring 2008/09 – Cycle 2</b>
--

<b>PURPOSE</b>
----------------

To report the latest position on revenue spending and income for 2008/09 and show any significant variations from the approved revenue budget.

1. To recommend any changes to the approved revenue budget which are considered necessary
2. To highlight areas where further information has been requested from Heads of Service
3. To determine any areas where Members require further information in addition to that already requested and supplied.

<b>RECOMMENDATION</b>
-----------------------

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

## REASONS FOR RECOMMENDATION

5. To give consideration to the level of revenue spending and income in 2008/09 and to ensure that the budget is revised where appropriate to reflect changing circumstances

## SUMMARY OF KEY POINTS

### 6. Revenue Budget Monitoring Process

There are 4 reports on revenue budget monitoring during the course of the financial year. A timetable for producing these reports has been compiled and the next 2 reports are due to be presented to your Committee in late November/early December 2008 and early March 2009. 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.

### 7. 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
- 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

8. 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 up to £10k. But any virements in excess of £10k or from one service to another need Member approval.

9. It should be noted that an assumed savings figure of £375k relating to unfilled posts during the financial year was included within the original approved 2008/09 revenue budget. This amount is not allocated to service units but is shown as a corporate saving. However, when savings in service unit salaries budgets are identified during the financial year then these should count against the £375k allocation.

### 10. 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.

11. Appendix 1 shows the requests for virements exceeding £10k. Appendix 2 shows the savings on salaries towards the £375k target referred to in paragraph 9 above. Appendix 3 shows proposed changes to budgets where funding is available in earmarked reserves. Appendix 4 shows the forecast of revenue budget savings required as a result of estimated changes to existing approved budgets. Appendix 5 summarises the latest position overall on the 2008/09 revenue budget.
12. Members are asked to consider Appendix 1 which, as previously referred to, contains proposed virements exceeding £10,000 but which do not affect either the net budget of the

spending area concerned or the overall Council revenue budget. **Subject to any comments Members may have it is recommended that these proposed transfers are approved.**

13. Appendix 2 shows that there are net salary savings of £54k recorded in this revenue monitoring cycle giving a total year to date of £129k (which count towards the £375k corporate salary savings target). This leaves a further £246k to be found in the rest of the year.
14. Appendix 3 shows that there is an estimated increase in net budgets of £4k and that this is matched by a similar net contribution from earmarked reserves.
15. Appendix 4 shows that in this monitoring cycle there are increases in estimated non-salary spending of £24k. The major changes are:
  - a) Land Charges Income – due to the downturn in the housing market and the numbers of personal searches the income from land charges is falling and a £63k shortfall in the income target is being predicted. This is £13k worse than reported in August.
  - b) Green Spaces Income – the latest indications are that there will be a further shortfall in income of £43k (total £120k). Cemeteries and Crematoria income is down by £8k (£43k) and Golf income is down by £35k (£65k). A more cautious projection has been adopted and the estimates are more closely aligned with last years outturn position.
  - c) Leisure Income – There has been an increase in estimated income for St. Peters Leisure Centre of £24k due to increased membership. A virement in Appendix 1 has increased the income budget for St Peters and reduced the income budget for Spirit of Sport by this amount. In Appendix 4, this has led to a reduction in the estimated income shortfall for Spirit of Sport by £27k.
  - d) NNDR Costs – The corporate savings target of £20k for NNDR revaluation appeal refunds is currently not being achieved. Appendix 4 reflects a further £5k within this monitoring period for an estimated total shortfall of £10k.
  - e) Waste Cost Sharing Partnership – Increased grant income from Lancashire County Council of £18k is partly due to the extension of the recycling to rural properties, and also an increase in the cost per property grant which is greater than estimated.
  - f) Property Consultancy – Service charge income relating to 2006/07 and 2007/08 for Princess Way Depot of £5k and the Network 65 properties of £32k has been received as there is now a written agreement with the tenants. Previously, this was reported as doubtful. Also, other rent reviews and new tenancies have increased estimated rental income by £37k (mainly safeway house), although this is partially offset by a £20k valuation team income target not being expected to be achieved. Therefore, the overall position on Property Consultancy has improved by £49k.
  - g) Building Control income – It is estimated that fee income will fall by £21k due to the non-filling of vacant posts and the down-turn in the economy. A projected £13k salary savings have been included in the achievement towards the overall salary

savings target. It is believed that the majority of the £21k can be offset by a contribution from the earmarked reserve, but this is not yet reflected in these figures.

- h) Engineering Services recharges to capital schemes – An exercise was undertaken to align the revenue income budgets to the capital programme. The work being undertaken to support capital schemes is expected not to be sufficient to achieve the revenue income target by £65k.
- i) Treasury Management – The availability of additional sums of money to invest has led to an estimated increase in investment income of £20k.

16. Reserves Transfers

Included within Appendix 3 is the amount required to fund certain items within Service Unit budgets from reserves. The amount required for these one-off items (redundancy costs, consultants for the proposed East Lancashire building control consortia) totals £4k – this amount is available from reserves as they currently stand.

17. 2008/09 Savings Targets

As part of the 2008/09 budget setting process, it was agreed to make savings of nearly £1.5m in order to reach a balanced budget. Heads of Service have confirmed that nearly all of these savings will be achieved with the exception of the following :-

Savings Target Description	2008/09 Target £000	Current Saving not achieved per appendix 4
Prairie play football development	17	17
NNDR revaluation appeals	20	10
Legal services additional income	28	6
Padiham town hall office rentals	30	8
Valuation team fee income	14	14
<b>Total</b>	<b>109</b>	<b>55</b>

All of these have been included within appendix 4 and the total shortfall has increased by £10k. However, it must be noted that should these savings not be achieved, this will impact on the council's budget in future years.

It is recommended that Heads of Service identify alternative savings for all non-achieved savings.

These savings are important in demonstrating that the Council is complying with National Indicator 179 in achieving value for money. Value for money issues are being developed within the Council and regular consideration of the analysis of savings proposals and ensuring they are delivered is an integral part of this process.

- 18. • Other Specific Areas of Concern – There are none other than those reported in the previous monitoring round.

19. Revised Revenue Budget Position

After incorporating the estimated variances to the budget proposed in Appendices 1, 2, 3 and 4 the overall current position on the revenue budget is as shown in Appendix 5.

Members are asked to approve the revised budget under the “to be approved” column which incorporates the virements, salary savings and use of earmarked reserves as shown

in appendices 1, 2 & 3. A sum of £129k has been contributed through net salary cost savings towards the corporate savings target of £375k leaving a further sum of £246k required during the remainder of 2008/09.

20. Savings requirements from revenue budget overall are now estimated to be £187k. This is in addition to the £246k of net salary savings still required during the remainder of 2008/09. There is also the potential full year effect of the savings targets mentioned in paragraph 17 above that are not being currently achieved.

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

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

#### **POLICY IMPLICATIONS**

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

#### **DETAILS OF CONSULTATION**

23. Management Team and Heads of Service

#### **BACKGROUND PAPERS**

24. Revenue Budget 2008/2009

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Phil Moore - Head of Finance**

**ALSO:**

**Nick Aves - Director of Resources**

[appendices](#)