

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Executive Cabinet	1 August 2019

REVENUE AND CAPITAL BUDGET MONITORING 2019/20 REPORT 1 (END OF JUNE 2019)

PURPOSE OF REPORT

1. This report sets out the provisional revenue and capital outturn figures for the Council as compared against the budgets and efficiency savings targets set for the financial year 2019/20.

RECOMMENDATION(S)

2. Note the full year forecast position for the 2019/20 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Council approval for the contribution of £57,000 from in-year revenue underspends to finance the Council's Mayflower 400 celebrations.
5. Request Council note the capital programme to be delivered in 2019/20 to 2021/22.

EXECUTIVE SUMMARY OF REPORT

6. The projected revenue outturn currently shows a forecast underspend of £156k against budget. No action is required at this stage in the year.
7. The forecast excludes any variation to projected expenditure on investment items included in the budget in 2019/20. These projects are forecast to fully expend in 2019/20 and should there be any balances remaining at year end they will be transferred into specific reserves and matched to expenditure in future years.
8. In the 2019/20 budget the expected net income from Market Walk after deducting financing costs is £1.003m.
9. The forecast of capital expenditure in 2019/20 is £19.580m
10. The Council's budget for 2019/20 included a savings target of £150k from management of the staffing establishment. The full savings of £150k have already been achieved.
11. The Council's Medium-Term Financial Strategy reported that working balances are currently maintained at £4.0m due to the financial risks facing the Council. Should the recommendations in this report be accepted, the forecast level of balances at 31 March 2020 will be around £4.073m. It should be noted however that there may be further call for the use of general balances throughout 2019/20.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)
(If the recommendations are accepted)

12. To ensure the Council's budgetary targets are achieved.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

13. None

CORPORATE PRIORITIES

14. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

15. The net revenue budget for 2019/20 is £15.705m. This has been amended to include approved slippage from 2018/19 and any transfers to/from reserves. The significant additions to the budget include:

- £150,350 slippage items from 2018/19.
- £547,930 balance of investment budgets carried forward from 2018/19.
- £36,620 Transformation Challenge Award funding from reserves.
- £90,000 Highways & Transport Strategy for Chorley.

Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2019/20.

16. A full schedule of the investment budgets carried forward from 2018/19 are shown in Appendix 2 together with expenditure to date against these projects (for capital items see Appendix 4).
17. The Council's approved revenue budget for 2019/20 included target savings of £150,000 from management of the staffing establishment.
18. Following the recommendations made in the 2018/19 Provisional Revenue and Capital Outturn Report, in-year revenue underspends have been set aside to fund the following items:
 - £162,000 to the Change Management Reserve.
 - £71,000 to finance the National Graduate Development Programme.
 - £55,000 to finance costs relating to Market Walk Extension.
19. Set out in Appendix 1 is the provisional outturn position for the Council based upon actual spend in the first three months of the financial year and adjusted for future spend based upon assumptions regarding vacancies and service delivery.
20. The latest forecast of capital expenditure in 2019/20 is £19.580m. The latest capital forecast is detailed in Appendix 4 based upon actual and committed expenditure during the first three months of the financial year and adjusted for future spending based upon the latest timescales for project delivery.

SECTION A: CURRENT FORECAST POSITION – REVENUE

21. The projected outturn shown in Appendix 1 forecasts an underspend compared to budget of around £156k. The significant variances from the cash budget are shown in the table 1 below.

ANALYSIS OF MOVEMENTS

Table 1 – Forecasted Significant Variations from the Cash Budget

Note: Overspends/shortfalls in income are shown as ().

	£'000	£'000
Expenditure:		
Staffing Costs	224	
Contribution to Corporate Savings Target	(150)	
Housing Company	<u>62</u>	
		136
Income:		
Housing Benefit related grants	18	
DFG Admin Fee	25	
Sale of Replacement Bins	<u>(18)</u>	
		25
Other:		
Housing Benefits	20	
Other minor variances	<u>(25)</u>	
		(5)
Net Movement		156

Expenditure

22. Total staffing savings are currently forecast to be £224k and are predominantly a result of vacant posts, a number of which have been held vacant pending the review and restructure of the Council's management structure.
23. The forecast variations profiled above make assumptions regarding the start dates of staff to vacant posts, these assumptions are monitored on a monthly basis. The main savings are as a result of vacant posts, predominantly in the Customer and Digital and Early Intervention directorates, resulting from delayed recruitment to a number of positions pending the implementation of new departmental structures.
24. From the £224k staffing savings identified to date, the total 2019/20 corporate savings target of £150k for management of the establishment has been transferred.
25. A paper has been taken to Full Council on 23 July 2019 that outlines the council's proposals to create a wholly owned company. This will supersede the previous proposal taken to Council in September 2018 to create a Housing Company that set aside £65k revenue budget in 2019/20. Of this £65k, £3k has been spent on external advice in setting up a council owned company, as such £62k is declared as an underspend in 2019/20.

Income

26. The Council's revenue budget for 2019/20 included the sum of £56,000 for income from Housing Benefit related grants. The Department of Work and pensions (DWP) has since announced the Council's allocation of grants for 2019/20 that included £29,474 to cover administration costs relating to the transitional arrangements of migrating to Universal Credit, £26,599 new burdens funding for the implementation of welfare reform changes and administering the Discretionary Housing Payments scheme, and £16,850 to support the administration required to combat income related fraud and error notified to the authority via the Verify Earnings and Pensions (VEP) Alerts service. In total the Council has received an additional £18,000 in grant allocations for 2019/20 compared to budget.
27. In 2018/19 the Council completed works to the value of £895k under the local authority's statutory duty to provide aids and adaptations under the Disabled Facilities Grant to those who qualify. As part of the arrangement, the Council is allowed to claim an administration fee calculated at 12.5% of all completed works during the year from July 2018 (previously 10%) and as the value of completed works was higher than previously forecast, this generated an additional £23k income for 2018/19. Based on the works completed to date in 2019/20, an additional £25k income is forecast for the current year.
28. Income levels for the sale of bins (not including grey bins) looks unlikely to meet the income budget set for 2019/20. When setting the budgets, it was envisaged technology would help clarify situations around damaged or lost bins. Use of this technology is now planned from 1 April 2020 onwards and will therefore not aid the decision-making process during this financial year. The initial forecast is that income levels will be around £18k lower than the budgeted figure of £95k for the year.

Other Items

29. The housing benefits payments budget is one area that historically has a significant impact on the Council's year-end financial position due to the nature of the costs being demand driven and the uncertainty over the level of overpayments recovered and their associated bad debts. By reducing the level of benefit overpayments due to fraud and claimant error, the Council is able to reduce the burden of outstanding debts and the level of bad debts provision. The level of outstanding debts has fallen in the first quarter of 2019/20 and this has

resulted in a reduced forecast charge to the bad debts provision compared to the budgeted position. The forecast effect is a reduction in costs of around £20,000 for 2019/20. It should be noted that this position is subject to change throughout the year as new overpayments are identified and older unrecoverable debts are written off.

Requests from Underspends

30. In June of this year, Executive Cabinet gave approval for the Director of Early Intervention & Support to finalise agreement with Inspire Youth Zone for the undertaking of its Outreach Project to ensure that all young people from across the borough are supported to access its facilities. One-off Council funding of £26k was approved to help deliver the project and cover the cost of NNDR due for 2019/20. The funding will be met from existing revenue budget underspends.
31. From November 2019, an ambitious year-long commemoration will mark the 400th anniversary of the Mayflower's pioneering voyage from Plymouth to New England in 1620. The national programme of events will include festivals, artistic installations and a vast network of community events. Chorley has a strong connection to the Mayflower voyage through Myles Standish, an English military officer whose roots are thought to go back to Duxbury Hall and who sailed with the Pilgrims on the Mayflower voyage. It is proposed that a sum of £57k is set aside from the 2019/20 revenue underspends to be part of the national programme of events and to create a fixed term events coordinator post for 18 months to support this programme.

MARKET WALK

32. The budgeted net rental income from Market Walk after taking account of financing costs in 2019/20 is £1.003m.

Table 2: Market Walk Income 2019/20

	2019/20 Budget	2019/20 Outturn	2019/20 Variance
	£	£	£
Rental & Insurance Income	(1,774,100)	(1,716,051)	58,049
Operational Costs (excluding financing)	150,700	92,651	(58,049)
Net Income (excluding financing)	(1,623,400)	(1,623,400)	0
Financing Costs	619,730	619,730	0
Net Income (including financing)	(1,003,670)	(1,003,670)	0
Income Equalisation Reserve (Annual Contribution)	50,000	50,000	0
Asset Management Reserve (Market Walk)	50,000	50,000	0

Net Income	(903,670)	(903,670)	0
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Income

33. Income is expected to be £58k short of the budget in 2018/19 due to two units being vacant during 2019/20. One of these units is expected to be filled in the coming months however rent free incentives will mean the income is not recognised until 2020/21.

Expenditure

34. Historically any shortfall in income has been offset by underspends in expenditure relating to Market Walk. It is expected that revenue expenditure for professional fees related to lease renewals will underspend to offset the shortfall in income.

GENERAL FUND RESOURCES AND BALANCES

35. With regard to working balances, and as per Appendix 1, the Council holds a £4m General Fund balance to manage budget risks not covered by earmarked reserves or provisions. The current forecast to the end of June shows that the General Fund closing balance could be around £4.130m.
36. Should the recommendations in this report be accepted, the forecast level of balances at 31 March 2020 will be around £4.073m as detailed in table 3 below. It should be noted however that there may be further call for the use of general balances throughout 2019/20.

Table 3 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2019/20	4.000
Forecast revenue budget underspend	0.156
Initial General Fund Closing Balance 2019/20	4.156
Agreed use of in-year underspends:	
Contribution to Youth Zone Outreach Project	(0.026)
Current General Fund Closing Balance 2019/20	4.130
Youth Zone Outreach Project	(0.057)
Forecast General Fund Closing Balance 2019/20	4.073

37. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2019/20.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

38. The approved capital budget as per the revenue and capital outturn report approved on 20 June 2019 is as follows:

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Approved Budget	21.148	3.882	3.941	28.970
Q1 Adjustment	(1.569)	(2.707)	(2.766)	(7.042)
Revised Budget	19.580	1.175	1.175	21.929

39. The budgets have been re-profiled between 2018/19 and 2019/20 to reflect:
- The removal of the budget relating to the purchase of housing as per the September 2018 paper to Full Council and the Wholly Owned Company paper presented to Full Council on 23 July 2019.
 - A reallocation of £300k budget from Astley for Adventure Golf to Market Walk Extension as per the paper presented to Full Council on 23 July 2019
 - A reduction in the budget for the purchase of homes for Refugees of £240k to match actual expenditure

CAPITAL PROGRAMME FINANCING 2019/20

Fund	Original Budget 2019/20 £'000	Quarter 1 2018/19 £'000	Change £'000
External Contributions	5.091	5.079	(0.012)
Grants	2.584	2.494	(0.090)
New Homes Bonus	0.415	0.415	(0.000)
Earmarked Reserves	0.766	0.766	(0.000)
Revenue	0.485	0.485	0.000
Capital Receipts	0.642	0.667	0.025
Borrowing	11.165	9.674	(1.491)
Capital Financing 2018/19	21.148	19.580	(1.568)

40. The reduction in borrowing and grant income is due to the removal of the housing company from the capital programme.

IMPLICATIONS OF REPORT

41. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

42. The financial implications are contained within this report

COMMENTS OF THE MONITORING OFFICER

43. No Comment

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
David Bond/James Thomson	5488/5025	17/07/18	***