

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	20 June 2013

## PROVISIONAL REVENUE OUTTURN 2012/13

### PURPOSE OF REPORT

1. This report sets out the provisional revenue outturn figures for the Council as compared against the budgets and efficiency savings targets it set itself for the financial year 2012/13.
2. The accounts are provisional at this stage and are also subject to final checking and scrutiny by the Council's external auditor. Should there be any significant changes to the outturn as a result of this process I shall submit a further report to Executive Cabinet.

### RECOMMENDATION(S)

3. That Executive Cabinet are asked to consider the following recommendations.
  - Approval of slippage requests outlined in Appendix 2 of the report to finance expenditure on specific items or projects in 2013/14.
  - Transfer a sum of £100,000 from general balances to a specific reserve to fund buildings maintenance and improvement works.

### EXECUTIVE SUMMARY OF REPORT

4. The Council expected to make overall target savings of £200,000 in 2012/13 from management of the establishment. As reported in September, the full savings target for 2012/13 has been achieved.
5. After taking slippage of budgeted underspends on committed items into account, the Council's initial net expenditure at the end of the year shows an underspend against the budget of around £91,000.
6. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower than £2.0m due to the financial risks facing the Council. I am pleased to report that should the recommendations in this report be accepted, the level of balances proposed at 31 March 2013 will exceed the minimum of £2.0m by £0.060m. This puts the Council in a strong position for the start of the next financial period.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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<b>Key Decision?</b> Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	<b>1, a change in service provision that impacts upon the service revenue budget by £100,000 or more</b>	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)

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

## CORPORATE PRIORITIES

9. 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	√

Ensuring cash targets are met maintains the Council's financial standing.

## BACKGROUND

10. The Council's approved revenue budget for 2012/13 included target savings of £200,000 from management of the staffing establishment. The September budget monitoring report announced that the full savings target for 2012/13 had been achieved.
11. The June budget monitoring report recommended the use of General Balances to create a specific earmarked reserve for use in 2012/13. A sum of £300,000 was approved for investment in the Town Centre. Work has already started in a number of areas including:
- Car Park improvements
  - Market Street reopening
  - Town centre land acquisition
12. Also approved in the June report was the use of underspends on existing staffing budgets to fund the creation of an additional Business Advisor post. This will provide a service for existing businesses that have been trading for more than three years.
13. In my report to the Executive Cabinet of 21 February I advised on the projected outturn for 2012/13 which outlined a forecast underspend of £564,000 based on information to the end of December and that the level of General Balances at year-end would exceed the minimum £2.0m set out in the Medium Term Financial Strategy. In setting the Council's budgets for 2013/14 it was agreed that the revenue underspend of £564,000 would be utilised to set aside £450,000 to restructure debt and £114,000 to invest in the Corporate Strategy.

## CURRENT FORECAST POSITION

14. Set out in Appendix 1 is the summary provisional outturn position for the Council for 2012/13. No individual service directorate figures are attached. These can be viewed <http://democracy.chorley.gov.uk/documents/s37341/UpdatedDirectorateStatementsProvisionalOutturn201213FINAL.xls.pdf> and are also available as hard copies for inspection in the Members' Room.
15. The net expenditure at the end of the financial year shows a provisional underspend against the Council's budgets of £91,000 (after taking requests for slippage into account). Details of the revenue outturn position are shown in Appendix 1. An analysis of the main variances over and above those previously reported in monitoring is shown in the table below. Further details are contained in the service unit analysis available in the Members' room.

## ANALYSIS OF MOVEMENTS

**Table 1 – Significant Variations from the last monitoring report**

Note: Further savings/underspends are shown as ( ).

	£'000	£'000
<b>Expenditure</b>		
Staffing costs	(81)	
ERVS/Redundancy	74	
United Utilities - Surface Water & Highway drainage	(17)	
Bus Shelter refurbishment	(13)	
Dog Fouling Campaign	(34)	
Grounds maintenance supplies	(11)	
Business Rates on Gillibrand St Offices	28	
Other Expenditure	<u>(30)</u>	
		(84)
<b>Income</b>		
Planning & Building Control Fees	(23)	
Cemetery Income	(18)	
Change in Parking Tariffs Proposal	25	
Lease of Gillibrand Street Offices	50	
Other Income	<u>(41)</u>	
		(7)
<b>Net Movement</b>		<b>(91)</b>

16. An additional saving of £81,000 on staff salaries has been achieved in the period since the last monitoring report, predominantly from the People and Places and Transformation directorates. As the Council's annual corporate savings target for 2012/13 has already been achieved, these additional savings can be used to fund the one-off severance and redundancy costs of £74,000 incurred as a result of departmental restructures.
17. In previous monitoring reports I outlined the issues raised with United Utilities Water Plc where it appeared that charges for surface water and highway drainage were being duplicated or made on the wrong tariff. Following further review of the charges made by United Utilities an additional site was identified where the council had been overcharged for a number of years. As a result a further refund has been received in the sum of £17,000.

18. Included in the base budget for 2012/13 was a one-off growth item of £75,000 for a programme of repair, refurbishment and replacement of Chorley Council owned bus shelters. Total expenditure in 2012/13 for this scheme was £21,000 with an additional £18,000 requested to be carried forward as slippage for use in 2013/14. The total cost, once this programme of work has been completed, is expected to be around £39,000 giving a saving against budget of £36,000. This is an increase of £13,000 on the forecast saving reported in previous monitoring reports.
19. Also included in the 2012/13 base budget was a further growth item of £75,000 to provide a borough wide campaign for tackling dog fouling and owners of aggressive dogs through marketing, education and enforcement. The total cost of the campaign for 2012/13 was £41,000 giving a saving against budget of £34,000. Although no slippage request has been made to carry forward this budget underspend, a mainstream budget provision of £25,000 has been made for use in 2013/14 and future years to continue the campaign.
20. The budget for Grounds Maintenance Supplies is subject to a certain level of reactive expenditure making it difficult to accurately predict future costs against the budget. Based on profiled and committed expenditure information available in December, it was anticipated that the full costs for the year would be broadly in line with the 2012/13 budget at around £90,000. Costs were lower than anticipated in the final quarter resulting in a saving of around £11,000 against budget.
21. The 2012/13 budgets for the Council's Gillibrand Street offices included the assumption that the property would be sub-let to the Probation Service as a result of the Asda development once their property was demolished. At the time of setting the budget, a rental income of £50,000 was included for 2012/13 together with the assumption that the business rates would be paid by the occupying tenant for the full year.

Unfortunately, due to significant delays with the development, this agreement has still not taken place resulting in not only the potential loss of rent of £50,000 but also incurring the annual cost of business rates of £28,000. Although the Council has been asked to continue to hold the premises with the expectation of the Probation Service moving in when Asda are seeking to demolish their existing building, as a result of the delays the Council has notified Asda that it will be re-marketing the property and the lease particulars will be re-published soon. In the event the Asda development proceeds and the probation service take residence, the Council would be looking to backdate the lease and seek reimbursement for both the lost rent and business rates expenditure.

22. Having seen income levels improve over the third quarter, the December monitoring report detailed the latest forecast for Planning Fee income to be around £565,000 for the year compared to the 2012/13 budget of £600,000. Income levels have continued to improve over the final quarter to March resulting in total income of £584,000 for the year, an improvement of £19,000 from the December forecast. Building Control income also improved over the final quarter with an additional £4,000 income over previous forecasts, although the total income received for the year was still around £13,000 below budgeted levels.
23. Cemetery income levels also increased significantly over the final quarter compared to the first 9 months of the year. The forecast in December was for a shortfall of around £34,000 but the position has since improved resulting in additional income of around £18,000 above the previous forecast.
24. The Council initially introduced revised car parking tariffs on a trial basis for the period October 2012 to January 2013. In the last monitoring report in December, the forecast was for an estimated loss of income of around £39,000 as a result of the new tariffs, based on income data received during the first three months. The trial period has since been extended resulting in further loss of income in February and March. It is now estimated that

the full cost of the tariff change for 2012/13 is around £64,000 although it is difficult to distinguish whether the reduced income levels are directly attributable to the tariff changes or an underlying trend. The Council's budget for 2013/14 has subsequently been reduced by £75,000 as a result of the tariff scheme being extended for a further 12 months and income levels will have to be monitored closely throughout the year to assess the on-going impact of the scheme.

## **COMMITTED ITEMS/SLIPPAGE REQUESTS**

25. Each year the Council commits itself to expenditure that may not always be incurred in the financial year. It is customary to allow directorates that have a budget underspend to carry forward these resources to pay for specific items in the following year. This is an important part of the budget management process as it allows officers to commit earmarked resources to specific projects particularly towards the end of the financial year.
26. Two areas warrant particular mention in respect of the slippage requests received as together they make up around £307,000 of the total slippage requested, £145,000 on neighbourhoods and the environment, and around £162,000 on ICT projects.
27. A request of £78,200 has been made in respect of the residual budget from the Neighbourhood/pump priming budget originally created in 2008/09 and has been earmarked for outstanding works on Buttermere Green and Clayton Green projects. The exact nature and extent of the works is yet to be determined but once works on the two community centres is completed the project can be continued subject to Member and resident consultation. A request in the sum of £66,650 has also been made in respect of environmental clean-ups/grot spots. A number of projects are yet to be started or are already in progress and the process of identifying grot spot areas for improvement will continue and augment the new clean up team resource created for 2013/14.
28. Slippage in ICT Services' budgets totalling £162,450 is requested. This investment and programme of work enables the Council to continue with the digitisation of paper records which reduces the risk of loss and damage to information and simultaneously provides the capability to share information more efficiently enabling automation which will help to reduce operational costs in the longer term. The projects include Digitisation of plotting burial records (£10,000), Digitisation of plotting sheets and micro fiche records (£47,000), Review of Member IT kit (£25,000), Improvements in the management of the Booking System (£25,000) and Review of the Telephony System (£50,000).

A full schedule of the slippage requests received for 2012/13 is outlined in Appendix 2.

## **GENERAL FUND RESOURCES AND BALANCES**

29. With regard to working balances, and as per Appendix 1, we started the year with a balance of £2.264m. The approved MTFs proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council. However there are a number of items that will impact on this position that should be considered by Cabinet, these being:
  - Carrying over items into 2013/14 via slippage requests (outlined in Appendix 2).
  - Creation of reserve to fund buildings maintenance and improvement works.
  - Uncertainty in MTFs over local Business Rate retention scheme after 2012/13.
30. The Council's budget for 2012/13 included an in-year contribution to general balances in the sum of £57,950 which is shown in the table below. The other in-year transfer to reserves for 2012/13 was a sum of £300,000 approved for investment in the Town Centre which has been earmarked for car park improvements, the reopening of Market Street, and town centre land acquisition.

31. At the end of 2011/12 the Council approved the transfer of £75,000 to an earmarked reserve to cover the potential liability of charges from the Council's Collection Fund. The actual charges to the Council's General Revenue Fund have since been confirmed in the sum of £27,780 leaving a balance of £47,220 which can now be transferred back to general balances.
32. The provisional outturn position for 2012/13 for the Council's General Revenue Fund shows an underspend against the Council's budgets of around £91,000 (after taking requests for slippage into account). Details of the 2012/13 revenue outturn position are shown in Appendix 1.
33. The impact of the provisional underspend, together with the in-year transfer to and from reserves, is a potential closing balance of £2.160m for working balances. This position provides an ideal opportunity to increase investment in the Council's buildings by creating a specific reserve to fund buildings maintenance and improvement works. The Council's property services advisor Liberata UK has identified a three year programme of repair and improvement works for which the Council has no current budget provision. Use of the 2012/13 underspend will enable the essential works required for 2013/14 to be carried out. Given the revenue outturn position and the level of general balances, I feel it is prudent at this stage to recommend that a sum of £100,000 is transferred to an earmarked reserve to finance the buildings maintenance and improvement works in 2013/14.
34. The effect of the above recommendations and decisions taken previously on working balances is detailed as follows. It can be seen from the table below that the General Fund Balance will exceed the minimum level set in the MTFs by £0.060m.

**Table 2 – Movement in General Fund Balance**

<b>General Balances</b>	<b>£m</b>
Opening Balance 2012/13	2.264
Budgeted Contribution to General Balances	0.058
Transfers to Reserves - Town Centre Investment	(0.300)
Balance of Collection Fund write-offs reserve	0.047
Provisional revenue budget underspend	0.091
<b>Potential Closing Balance 2012/13</b>	<b>2.160</b>
Reserve to fund buildings maintenance/improvements	(0.100)
<b>Proposed Working Balances for 2013/14</b>	<b>2.060</b>

35. Appendix 3 provides further information about the earmarked reserves and provisions that would be available during 2013/14 if the recommendations of this report are approved.

## IMPLICATIONS OF REPORT

36. 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

37. The financial implications are detailed in the body of the report.

## COMMENTS OF THE MONITORING OFFICER

38. The Monitoring Officer has no comments.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	21/05/13	Revenue Budget Monitoring 2012-13 Provisional Outturn Draft 2.doc