Chorley Council

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	15 August 2013

REVENUE BUDGET MONITORING 2013/14 REPORT 1 (END OF JUNE 2013)

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 2013/14.

RECOMMENDATION(S)

2. That Council should approve the use of £143,000 of the Town Centre Reserve for revenue financing of the capital scheme for resurfacing of three Town Centre car parks.

3. That Council should approve the use of the £40,000 one-off Minimum Revenue Provision saving, relating to Regeneration Projects in the 2013/14 Capital Programme, to finance revenue costs relating to the projects including the cost of business rates for 98-102 Market Street outlined in paragraph 21.

4. That Council should approve the use of the one-off £35,950 Minimum Revenue Provision saving, arising from the rephasing of capital expenditure from 2012/13, for the reduction of debt as detailed in paragraph 28.

EXECUTIVE SUMMARY OF REPORT

5. The Council expected to make overall target savings of £200,000 in 2013/14 from management of the establishment. I am pleased to report that a total saving of £50,000 has been achieved in the first quarter, leaving a further £150,000 remaining for the target to be achieved for the year. Further savings should be made as the year progresses and more vacancies occur but if the remaining target is not achieved, budget efficiencies will need to be identified elsewhere to ensure the target for the year is achieved.

6. The projected outturn currently shows a forecast underspend of around £35,000 against the budget. No action is required at this stage in the year.

7. The Council's Medium Term Financial Strategy proposed that working balances were to be maintained at a level no lower than £2.0m due to the financial risks facing the Council. The current forecast to the end of June shows that the General Fund balance will be around £2.095m. This would reduce to around £2.019m should the recommendations outlined in this report be approved. This puts the Council in a strong position and should help to mitigate against future risks associated with the Local Business Rates Retention scheme from April 2013.

Confidential report Please bold as appropriate	Yes	**No**

Key Decision? Please bold as appropriate	**Yes**	No
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)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None.

CORPORATE PRIORITIES

10. 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

11. The Council's approved revenue budget for 2013/14 included the following savings proposals required to balance the budget and maintain front line services. The majority of these proposals had already been put in place by the start of the new financial year with the remainder now implemented since April.

Savings	**£m**
Staffing Restructures	0.392
Base Budget Review	0.133
Major Contracts	0.070
Planning Fees - 15% national increase in charges	0.075
Investments & Debt restructuring	0.135
Total Savings Achieved 2013/14	**0.805**

12. In addition to the savings outlined above, the Council expected to make overall target savings of £200,000 from management of the establishment.

13. The 2013/14 budget also included significant additional investment which focussed on the Council's corporate priorities. A sum of £1,348,500 was approved for investment in the following areas:

INVESTMENT AREA	Amount £
Neighbourhood working: • Proactive clean up team • Neighbourhood working pot • Community development and volunteering	 50,000 100,000 70,000
Support to the VCFS Network – Increasing volunteering in the borough	15,000
Chorley Community Bank	50,000
16/17 year old drop in scheme	15,000
Tree Policy	30,000
Extension and improvement of street furniture	65,000
Active Generation	31,000
Street Games	50,000
Play area improvements	100,000
Free Swimming	7,500
Employee health scheme	20,000
Campaigns and events	40,000
Regeneration Projects	40,000
Car park pay and display income reduction	75,000
Inward investment delivery	350,000
Town Centre Masterplan	30,000
Support the expansion of local businesses	110,000
Implement a joint employment initiative with Runshaw College	50,000
Private Property Improvement Scheme Trial	50,000
TOTAL NEW INVESTMENT	**1,348,500**

Details of the costs incurred and expenditure committed to date against these new investment areas can be seen at Appendix 2.

14. Earlier this year the Council approved the virement of £40,000 from the Head of Governance's Bengal Street Depot revenue budget to undertake capital works to enable the site to deliver the recycling business with Recycling Lives Limited. It is envisaged that this sum can be generated from the part-year savings in 2013/14 from the arrangement with Recycling Lives, though the actual saving will depend on the date of completion of the lease agreement.

15. The Council also recently approved the funding required for the proposed enhancements to deliver a more comprehensive ICT Disaster Recovery solution that will also support more effective Business Continuity for the Council. The required sum of £220,000 has already

been identified from in-year underspends within Customer, ICT & Transactional Services and set aside to fund this project.

CURRENT FORECAST POSITION

16. Set out in Appendix 1 is the summary provisional outturn position for the Council based upon actual spending in the first three months of the financial year, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service directorate figures are attached. These can be viewed at http://democracy.chorley.gov.uk/documents/s38414/June%202013%20Monitoring.pdf and are also available as hard copies for inspection in the Members' Room.

17. In the period to the end of June we have already identified £50,000 of contributions towards the annual corporate savings targets of £200,000 for 2013/14. The main savings that have been identified are from vacant posts within the People & Places Directorate.

18. The directorate cash budgets have been amended for approved slippage from 2012/13 and any transfers from reserves. The significant additions to the budget include:

- £162,450 investment in ICT communications and information management.
- £78,200 residual budget from the Neighbourhood/pump priming budget.
- £66,650 environmental clean-ups/grot spots.

19. The projected outturn shown in Appendix 1 forecasts an underspend against the budget of £35,000. The significant variances from the Cash Budget are 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 Cash Budget

Note: Savings/underspends are shown as ( ).

	£'000	£'000
Expenditure		
Staffing costs	(63)	
Non-Domestic Rates (Empty Properties)	27	
Non-Domestic Rates (Other Properties)	15	
		(21)
Income		
Planning & Building Control Fees	(15)	
Welfare Reform Grant	(24)	
		(39)
Other		
Housing & Council Tax Benefits	(73)	
Net Financing Transactions (MRP)	(76)	
Other minor variances	24	
		(125)
Management of the Establishment (savings target)		150
Net Movement		**(35)**

20. The forecast saving of £63,000 on staff salaries shown in the table above is in addition to the contribution of £50,000 already made to the corporate savings target in quarter 1. The additional saving comes from within the Chief Executive & Transformation and People & Places Directorates.

21. Part of the Council's Town Centre regeneration programme included the proposal to create three retail units following the acquisition and refurbishment of 98-102 Market Street. Following acquisition, the Council has subsequently become liable to pay non-domestic rates on the empty properties until they are either let to tenants, in the case of 100 and 102 Market Street, or demolished in the case of 98 Market Street. The current estimated cost to the Council is around £25,000 in 2013/14 but this will vary depending on the timescale for occupancy and demolition. It is proposed that this cost is financed from the saving on MRP outlined below (see paragraph 27). A further £2,000 is forecast for other properties currently vacant within the Council's investment portfolio and this again depends on the actual dates of occupancy.

22. The Council will also incur an overspend against the budgets for non-domestic rates chargeable on other Council owned land at property. Around £11,000 of the total forecast overspend of £15,000 is in respect of charges against the Council's car parks as a result of changes in transitional relief for 2013/14.

23. The Council's income budget of £650,000 for Planning Application Fees in 2013/14 included an estimated additional £75,000 following the national increase in planning fees implemented in November 2012. Income levels will be monitored closely throughout the year to ensure this additional income is achieved but at this early stage, income for the first quarter is higher than compared to the budget. Income from Building Control Fees also compares favourably with the budget for the first three months of the year and at this stage a combined surplus of around £15,000 over budget is forecast for the year.

24. The Council recently received a grant from the Department of Work and Pensions of around £24,000 as additional funding to meet the costs of implementing welfare reform changes in 2013/14. It is anticipated that the impact of the changes can be met from within existing staffing resources and that no additional external costs will be incurred.

25. One budget that could have a significant impact on the Council's year-end position is the budget for housing benefit payments. As we have seen in recent years it is extremely difficult to accurately predict the level of expenditure due to the size and nature of the budget in that it is very much demand driven. Figures for the first quarter show a slowdown in the anticipated demand compared to 2012/13 and as a result the initial forecast is for an underspend against budget of around £73,000. This position will be monitored closely throughout the year and Members advised accordingly.

26. The Director of People and Places, in his report on this agenda, recommends approval of the contract award procedure for the resurfacing of three Town Centre car parks (Portland Street, Flat Iron and Fleet Street). In my capital programme monitoring report, I recommend that the maximum estimated cost of £308,000 should be added to the 2013/14 Capital Programme. The Regeneration Projects capital budget would provide £165,000 of the funding. It is recommended that the balance should be provided from the Town Centre Reserve, and it would be shown as revenue financing of capital if approved. Once tenders are received, and the need for overnight working considered, any unused budget provision would be reversed back to its source.

27. The Net Financing Transactions budget includes £40,000 estimated Minimum Revenue Provision (MRP) in respect of borrowing to finance Regeneration Projects which are included within the 2013/14 Capital Programme. This budget would not be required for MRP in 2013/14, because the requirement to charge the revenue budget for debt repayment arises from 2014/15 onwards. However, I suggest that the budget is earmarked to cover any revenue costs relating to the Regeneration Projects in 2013/14, including the

cost of business rates for the empty retail units at 98-102 Market Street. I will report specific proposals for further use of this budget in later monitoring reports.

28. Due to rephasing of capital projects that would have been financed by borrowing, from 2012/13 to 2013/14, there is a one-off £35,950 reduction in MRP this year. This is not a recurring saving, just a result of incurring borrowing to finance some schemes a year later than originally planned. I recommend that the saving is earmarked to reduce debt, which will achieve revenue budget savings in subsequent years. This can be achieved in two ways: (a) voluntarily setting aside of funds to restructure past debt already incurred, or (b) using funds to finance capital expenditure in the current year via the revenue account thus preventing borrowing being incurred from the outset. The option attaining the highest level of savings at the point of transaction will be selected.

RETAINED BUSINESS RATES

29. The calculation of Retained Business Rates included in the 2013/14 approved budget is attached as Appendix 3. These figures, with the exception of the estimated levy, were provided to the Government on the NNDR1 return for 2013/14. Of the estimated net rate yield of £26.027m, the Council would retain £2.740m after paying £20.685m to central Government, £2.342m to Lancashire County Council, and £0.260m to the Fire Authority. Much of the central Government share is reallocated to local authorities through other funding mechanisms.

30. Actual figures will be reported to the Government on the NNDR3 return. However, NNDR3 figures can be produced throughout the year in order to review performance against estimated figures. Figures produced at the end of July suggest that we are broadly on target, with a projected net rate yield of £26.638m. However, there are a number of variances to arrive at that total, some of which could be of concern.

31. The NNDR1 included a £1m adjustment due to successful appeals by businesses, but at this point in the year most appeals would still be unresolved and would therefore not be reflected in the calculation of the higher net rate yield. It would be more realistic to assume that the final figure for appeals would be closer to the estimate than it is at present, and that net rate yield would reduce because of the following variances. The end of July NNDR3 figures have therefore been amended to include £1m for appeals, and the net rate yield has been reduced to £25.638m as a consequence.

32. The current projection of empty and partly occupied premises reliefs is £0.689m, which is £0.266m higher than the £0.423m estimated for 2013/14; and £0.043m higher than the 2012/13 actual total of £0.646m. The total in 2013/14 would change as properties become occupied, void periods expire, and new voids arise.

33. Small business rate relief is forecast to exceed the estimate by £0.082m; and mandatory charity relief by £0.024m.

34. The net effect of all variances is a reduction in net rate yield of £0.389m, of which this Council's share would be a reduction of £0.078m. The impact of the reduction would be in 2014/15.

35. This is the first year of the new system of local retention of business rates, so monitoring of performance against the estimates is especially important. Figures for 2014/15 will have to be prepared before we have full year figures for 2013/14. The experience gained from regular monitoring of net rates yield should help to improve the accuracy of estimates for subsequent years.

OTHER ISSUES

36. The Council recently granted temporary conditional planning approval for a residential Gypsy and Traveller site at Heath Paddock, Hut Lane, Heath Charnock for a period of 2

years. There is currently a balance of around £77k remaining in a specific earmarked reserve for use in relation to potential appeals and enforcement costs relating to the Hut Lane site. Although the issue has been temporarily resolved following the grant of planning permission, the full financial impact of the decision is still to be assessed and as such I feel it is prudent at this stage to retain this balance in reserve to meet any potential future costs.

GENERAL FUND RESOURCES AND BALANCES

37. The current cash budgets for 2013/14 have been updated to take account of the transfer of approved slippage of £518,850 from 2012/13 and for other transfers from reserves to finance revenue expenditure in 2013/14.

38. With regard to working balances, and as per Appendix 1, we started the year with a balance of £2.060m. The approved MTFS proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council. The current forecast to the end of June shows that the General Fund balance will be around £2.095m. Taking into account the recommendations regarding the use of savings on MRP, the revised closing balance would reduce to £2.019m as detailed in the table below.

Table 2 – Movement in General Fund Balance

General Balances	**£m**
Opening Balance 2013/14	2.060
Provisional revenue budget underspend	0.035
Forecast General Fund Balance 2013/14	**2.095**
Use of MRP saving	(0.076)
Proposed General Fund Balance 2013/14	**2.019**

39. Appendix 4 provides further information about the earmarked reserves and provisions that are currently available during 2013/14.

IMPLICATIONS OF REPORT

40. 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

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

COMMENTS OF THE MONITORING OFFICER

42. 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	23/07/13	Revenue Budget Monitoring 2013-14 Report 1 (End of June 2013).doc