

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	21 November 2013

REVENUE AND CAPITAL BUDGET MONITORING 2013/14 REPORT 2 (END OF SEPTEMBER 2013)

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 2013/14.

RECOMMENDATION(S)

2. Note the forecast position for the 2013/14 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Council approve the use of funds held on the Council's balance sheet, in the Council's role as trustee of The Avondale Library Trust, to contribute £24k to the Home Start Children's Play Area.
5. Request Council approve the transfer of £50k from the Hut Lane earmarked reserve to the Local Development Framework reserve to cover the additional budget requirement in 2013/14 as detailed in paragraph 36.
6. Request Council approve an £80k budget transfer of Council resources – carried over from the former Regional Housing Pot and currently within the disabled adaptations capital programme – to fund improvements at Cotswold House.
7. Request Council approve the proposed re-profiling of the Capital Programme to better reflect delivery in 2013/14.

EXECUTIVE SUMMARY OF REPORT

8. The projected revenue outturn currently shows a forecast underspend of £78k against budget. No action is required at this stage in the year.
9. The £40k virement previously reported from revenue to fund capital works at Bengal Street has been reversed due to the envisaged revenue savings having been re-phased to 2014/15 and the availability of alternative capital resources.
10. In year underspends from within Customer, ICT & Transactional Services have been re-directed to fund £150k of the upfront costs of ERVS this financial year.
11. There is forecast capital expenditure in year of £4.276m, proposed re-phasing of £8.307m into future years and £391k falling out of the programme.

12. The Council expected to make overall target savings of £200k in 2013/14 from management of the establishment. A total saving of £150k has been achieved in the first half of 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 be identified elsewhere to ensure the target for the year is achieved.
13. 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 September shows that the General Fund balance will be £2.102m.

Confidential report Please bold as appropriate	Yes	No
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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)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

15. None.

CORPORATE PRIORITIES

16. 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

17. The latest revenue budget is £15.748m.
18. Set out in Appendix 1 is the provisional outturn position for the Council based upon actual spend in the first six months of the financial year and adjusted for future spend based upon assumptions regarding vacancies and service delivery.

19. In addition to the £805k savings already achieved, and reported to Cabinet in August, the Council set a saving target of £200k from management of the establishment. As at 30 September £150k has been achieved and Directorate budgets have reduced accordingly.
20. Earlier in the year a £40k virement was approved from expected savings within the Head of Governance's Bengal Street Depot revenue budget to fund capital works on site to deliver the recycling business with Recycling Lives Limited. The envisaged savings will now substantially materialise in 2014/15 and the original transfer has had an adverse effect on the revenue budget. Therefore reversal of the original virement has been actioned and the capital works will instead be funded from savings from the Asset Management capital budget.
21. The Council recently approved the funding required for 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 £220k was identified from in-year underspends within Customer, ICT & Transactional Services. A review has identified £70k of commitments this financial year. The remaining £150k has been re-directed to fund in-year ERVS costs. A further £100k from current year underspends will be transferred to an earmarked reserve to support ICT Business Continuity in 2014/15.
22. The 2013/14 budget included significant additional revenue and capital investment which focused on the Council's corporate priorities. A sum of £1.349m (revenue) and £1.475m (capital) was approved for investment in the following areas:

INVESTMENT AREA – REVENUE	Amount £000
Neighbourhood working: <ul style="list-style-type: none"> • Proactive clean up team • Neighbourhood working pot • Community development and volunteering 	50 100 70
Support to the VCFS Network – Increasing volunteering in the borough	15
Chorley Community Bank	50
16/17 year old drop in scheme	15
Tree Policy	30
Extension and improvement of street furniture	65
Active Generation	31
Street Games	50
Play area improvements	100
Free Swimming	8
Employee health scheme	20
Campaigns and events	40
Regeneration Projects	40
Car park pay and display income reduction	75
Inward investment delivery	350
Town Centre Masterplan	30
Support the expansion of local businesses	110
Implement a joint employment initiative with Runshaw College	50
Private Property Improvement Scheme Trial	50
TOTAL NEW INVESTMENT – REVENUE	1,349

INVESTMENT AREA – CAPITAL	Amount £000
Regeneration Projects	1,000
Astley Hall Development Works	250
Astley Hall Farm	30
Clayton Brook Village Hall Extension	135
Yarrow Valley Country Park reservoir works	60
TOTAL NEW INVESTMENT – CAPITAL	1,475

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

23. The latest forecast of capital expenditure is £4.276m. Explanations for the changes to the previously reported position are expanded on in Section B of this report. The latest three year capital programme is shown in Appendix 4 based upon actual and committed expenditure during the first six months of the financial year and adjusted for future spending based upon the latest timescales for project delivery.

SECTION A: CURRENT FORECAST POSITION – REVENUE

24. The projected outturn shown in Appendix 1 forecasts a £78k underspend compared to budget; a £43k favourable movement compared to the position reported at the end of the first quarter. The significant variances from the position previously reported 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 last monitoring report

Note: Savings/underspends are shown as ().

	£'000	£'000
Expenditure:		
Staffing costs	(30)	
Council Tax Support Grant – New Burdens	(34)	
Bengal St Depot	45	
Vehicles & Plant – Lease/Hire/Maintenance	27	
Mailroom Services (Revenues & Benefits)	(13)	
Pensions Account	<u>(11)</u>	(16)
Income:		
Legal Fees income	(16)	
Non-Domestic Rates (Gillibrand St Offices)	(27)	
Rental Income (Gillibrand St Offices)	(110)	
Parking Fees	<u>50</u>	(103)
Other:		
Housing & Council Tax Benefits	(21)	
Other minor variances	<u>(3)</u>	(24)
Use of underspends for ICT Business Continuity		100
Net Movement		(43)

25. The forecast saving of £30,000 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 2. The additional saving comes from within the Chief Executive & Transformation Directorate.
26. The Council received a sum of around £59,000 in 2013/14 for additional new burdens funding relating to Council Tax Support. Against this grant it was anticipated that the Council would spend up to a total of £44,000 on updating software and other related items. As a result of significant investment in software in 2012/13 it is now envisaged that only minor updates will be required this year and a budget of around £10,000 should cover this work, giving a saving of £34,000.
27. A report to Executive Cabinet earlier this year outlined the benefits of sharing the Bengal St Depot site with registered charity Recycling Lives. The proposals at the time detailed the potential budget savings going forward from both shared costs and rental income. The lease of the site to Recycling Lives now includes an initial rent free period so the savings will not be realised in the first year. This together with the initial set-up costs for the site has resulted in a reduction in income of around £45,000 in 2013/14.
28. Another area where the Council is forecast to overspend against the budgets for 2013/14 is for the lease, hire and maintenance of vehicles and plant in the Streetscene department. The major issue has been the use of hired vehicles and plant whilst the fleet replacement strategy is being worked up. Savings in vehicle maintenance have been taken into account. However, this is very much a reactive budget so the full effect won't be known until later in the year. The current forecast is for an overspend against the budget of around £27,000.
29. The Council recently negotiated a new contract with Northgate Information Solutions for providing mailroom services relating to the on-line scanning and indexing of Housing & Council Tax benefits documents. This has resulted in a saving to the Council of around £13,000 for 2013/14.
30. The 2013/14 revenue budget for compensatory added years pension costs was based on an estimate of the charges due from both Lancashire County Council and Tameside Council, and also included a provision for additional pension costs arising from any future early retirements. Details of the actual charges for 2013/14 have now been received from LCC and are lower than anticipated in budget. This should result in a budget underspend of around £11,000 in the current year.
31. The Council's budget for legal fees income was set at £30,000 for 2013/14 and was based on actual income received in 2012/13 of £29,550. Income levels for the period April to September of this year are significantly higher than budgeted, mainly as a result of S106 related issues. The current forecast is for a surplus of around £16,000 for the year but if current income levels are maintained for the remainder of the year, the forecast will be revised and Members advised accordingly.
32. One issue that has recently been resolved is the lease to Asda of the Gillibrand Street Offices. Agreement has now been reached on the rent and other charges payable in respect of the premises and I am pleased to report that both the rent and business rates have been backdated to 1 April 2012. The Council will now receive £55,000 rental income for both 2012/13 and 2013/14 giving a total of £110,000 receivable to date. Due to uncertainty at the time, this was not included in the base budgets for either year and is therefore additional income to the Council. Also recoverable is a sum of around £27,000 for business rates paid by the Council relating to 2012/13.
33. As part of the investment programme for 2013/14, £75,000 was added to the budget to allow the administration to continue with the revised car parking tariff that was introduced in October of last year. With nearly a full year of the revised tariff in place, it seems likely that

the full year effect from April 2013 to March 2014 will now be around £125,000, leading to a £50,000 shortfall in income.

34. As outlined in the last monitoring report, one budget that could have a significant impact on the Council's year-end position is the budget for housing benefit payments. Figures for the second quarter continued to show a slowdown in the anticipated demand compared to 2012/13 and as a result the revised forecast is for a further underspend against budget of around £21,000. This position will be monitored closely throughout the year and Members advised accordingly.
35. The Council previously approved the use of in-year underspends to fund the ICT Disaster Recovery and Business Continuity programme. A sum of £100,000 from the current year underspends will be transferred to an earmarked reserve to help fund this programme of work.
36. It was reported in the previous budget monitoring report that the Council had granted temporary planning approval for a residential Gypsy and Traveller site at Hut Lane, Heath Charnock for a period of two 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.

The Local Development Framework has fully utilised the original earmarked reserve of £200k and an additional £50k is required to finance further expenditure in 2013/14, the majority of costs being the Programme Officer and Planning Inspector. Given the Hut Lane issue is now temporarily resolved following the grant of planning permission, it is proposed that a sum of £50k is transferred from the Hut Lane reserve to the LDF reserve to cover the additional requirement in 2013/14. A balance of £27k will be retained in the Hut Lane reserve and potential appeal costs will be assessed at the time the temporary planning permission finishes if needed.

RETAINED BUSINESS RATES

37. 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.
38. Actual figures will be reported to the Government on the NNDR3 return. However, NNDR3 forecast figures can be produced throughout the year in order to review performance against estimated figures. Figures produced at the end of September suggest that we are broadly on target, with a projected net rate yield of £26.437m. However, there are a number of variances to arrive at that total, some of which could be of concern.
39. The NNDR1 included a £1m adjustment due to successful appeals by businesses. Pending an update on the latest appeals estimates at the end of November, the forecast figures have been adjusted to include £1m for appeals, and the net rate yield has been reduced to £25.437m as a consequence.
40. The current projection of empty and partly occupied premises reliefs is £0.699m, which is £0.276m higher than the £0.423m estimated for 2013/14. The total in 2013/14 will change as properties become occupied, void periods expire, and new voids arise.
41. Small business rate relief is forecast to exceed the estimate by £0.116m; and mandatory charity relief by £0.023m.

42. The net effect of all variances is a reduction in net rate yield of £0.590m, of which this Council's share would be a reduction of £0.118m. The impact of the reduction would be in 2014/15. Nevertheless this may be offset by an improved position in respect of appeals (see paragraph 39 above).
43. 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.

GENERAL FUND RESOURCES AND BALANCES

44. 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 September shows that the General Fund closing balance will be around £2.102m as detailed in the table below.

Table 2 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2013/14	2.060
Use of MRP saving to restructure debt.	(0.036)
Provisional revenue budget underspend	0.078
Forecast General Fund Balance 2013/14	2.102

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

SECTION B: CURRENT FORECAST POSITION – CAPITAL

46. The Capital Budget for 2013/14 to 2015/16 as approved at Special Council in February and taking into account amendments reported to the Executive in June and August is as follows:
 2013/14: £12.956m
 2014/15: £1.170m
 2015/16: £1.184m
47. Capital expenditure to date as at 30 September 2013 is £1.040m.
48. The Council are transferring a contribution of £24k to Home Start as a contribution to a Children's Play Area. The Council is trustee for The Avondale Library Trust (proceeds from the sale of the former free library). The funds sit on the Council's balance sheet and will be transferred directly to Home Start.
49. A review of the capital programme with Heads of Service has taken place to focus on the likely expenditure for the remainder of the financial year and to bring forward schemes to utilise approved externally funding. The revised estimate of capital expenditure in 2013/14 is £4.276m.
50. The capital programme has an approved £6.75m budget for Chorley East Health Centre. This has been re-phased into 2014/15 to reflect the revised timescales for delivery.

51. A budget of £1m, financed by borrowing, was added to the capital programme to invest in the improvement of key potential business premises in the borough. To date £285k has been approved for the redevelopment of the former McDonalds building on (98 – 102) Market Street. A further £165k has been matched with funding of £143k from the Town Centre Reserve for the resurfacing of town centre car parks. The remaining £550k Regeneration budget has been re-profiled with £200k earmarked for the acquisition of strategic site(s) in 2013/14 and £350k currently uncommitted, transferring into 2014/15.
52. Officers estimate that expenditure on disabled adaptations in 2013/14 will be £366k, financed by £347k Disabled Facilities Grant and £19k from registered housing provider contributions. Of the remaining budget, financed from the Regional Housing Pot, it is proposed to transfer £80k to fund improvements at Cotswold House and carry forward £107k to 2014/15.
53. A residual budget of £391k, funded from Council Resources which was carried forward at year end, is to be removed from the capital programme following project completion. The revenue budget will be adjusted accordingly for the saving in the costs of borrowing.
54. If the proposals in this report are approved, £7.1m of capital expenditure financed by borrowing will be re-phased into 2014/15. This will in turn reduce the budgeted revenue consequences of borrowing in 2014/15 and transfer them into 2015/16. The next budget monitoring report will be updated to show the full consequences of all the approved amendments to the capital programme and their impact on the revenue budget.
55. When the capital budget for 2013/14 was approved an element of the investment programme was to be funded by a £360k capital receipt from ASDA following the sale of land to the south of Market Street. The proposal regarding the transfer of land has changed and instead the Council will receive a £100k capital receipt and a land swap. This means that the original capital funding needs to be revised.
56. Other capital receipts received to date this financial year total £120k. This is likely to be sufficient to fund the capital expenditure expected this financial year from the original £360k budget. The remainder will be delivered in 2014/15 and further receipts received this financial year and in 2014/15 will be reserved for first call to fund this investment.
57. If all the recommendations above and outlined in Appendix 4 are approved the revised capital programme will be:
 - 2013/14: £4.276m
 - 2014/15: £9.476m
 - 2015/16: £1.184m

DEVELOPER CONTRIBUTIONS

58. The Council's balance of Section 106 and similar contributions from developers currently stands at £2.663m. The current capital programme has approved budget to utilise an allocation of £2.293m.
59. Further details of the budgets funded from external contributions are highlighted in the schedule of the capital programme in Appendix 4. A review of the balance of contributions available and any new proposals will be included in the next update to Executive Cabinet.

IMPLICATIONS OF REPORT

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

Finance	✓	Customer Services	
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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

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

COMMENTS OF THE MONITORING OFFICER

62. 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	28/10/13	Revenue and Capital Budget Monitoring 2013-14 Report 2