

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	13 February 2014

REVENUE AND CAPITAL BUDGET MONITORING 2013/14 REPORT 3 (END OF DECEMBER 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. Approve the transfer to a change reserve and equalisation account, based on a 50:50 split, net income received from Market Walk in 2013/14.
4. Approve a budget virement of £31k from the 2013/14 budget growth item Supporting the Expansion of Local Businesses (Business Improvement Growth Grant) to Starting in Business Grants.
5. Note the forecast position on the Council's reserves.
6. Approve the transfer of residual budget from the Leisure Centres capital improvement works to Astley Hall and Park Development Plan.
7. Request Council approve the proposed re-profiling of the Capital Programme to better reflect delivery in 2013/14.
8. To approve the use of revenue funding from the Small Business Rate Relief to replace borrowing as funding for short life capital schemes to achieve revenue savings in 2014/15 and beyond.

EXECUTIVE SUMMARY OF REPORT

9. The projected revenue outturn currently shows a forecast underspend of £118k against budget. No action is required at this stage in the year.
10. The forecast of outturn excludes the following special items:
 - Any underspends on committed items which are expected to be carried forward into 2014/15;
 - Income generated from Market Walk;
 - Section 31 grant received to compensate the Council for loss of Business Rates as a

result of Small Business Rate Relief.

11. The latest projection of net income to be received from Market Walk is £160k in 2013/14. It is the recommendation of this report that the final surplus at year end is divided between two reserves: an equalisation reserve to smooth any fall in forecast income from Market Walk in future years; and a Change Reserve which would assist in funding future organisational change.
12. The forecast of capital expenditure in 2013/14 is £26.483m. This figure includes the purchase of Market Walk for £23.341m. If the acquisition of Market Walk is excluded then the forecast for all other capital expenditure this financial year is £3.142m, a reduction of £1.135m since the previous report re-phased into 2014/15 to reflect delivery on site.
13. 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 to the end of December. Further savings should be made as the year progresses but if the remaining target is not achieved, budget efficiencies will be identified elsewhere to ensure the target for the year is achieved.
14. 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 December shows that the General Fund balance will be £2.152m.

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)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

16. None.

CORPORATE PRIORITIES

17. 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

18. The latest revenue budget is £15.796m.
19. Set out in Appendix 1 is the provisional outturn position for the Council based upon actual spend in the first nine months of the financial year and adjusted for future spend based upon assumptions regarding vacancies and service delivery.
20. The Council's approved revenue budget for 2013/14 included target savings of £200,000 from management of the staffing establishment. The September budget monitoring report announced that £150k of the savings target for 2013/14 had been achieved and Directorate budgets have reduced accordingly.
21. 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 new investment. Details of the costs incurred, expenditure committed to date and any proposed carry forward into 2014/15 against the revenue investment areas can be seen in Appendix 2.
22. The latest forecast of capital expenditure is £26.483m. 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 nine months of the financial year and adjusted for future spending based upon the latest timescales for project delivery.

SECTION A: CURRENT FORECAST POSITION – REVENUE

23. The projected outturn shown in Appendix 1 forecasts a £118k underspend compared to budget; a £40k favourable movement compared to the position reported at the end of the second 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	11	
ERVS	39	
Citizens Advice Bureau - Debt Advice	(20)	
Playground Equipment Maintenance/Repairs	<u>(18)</u>	
		12
Income:		
Legal Fees income	(12)	
Young Peoples Activities	(12)	
Parks and Open Spaces Capital Recharge Income	30	
Cemetery Income	<u>(15)</u>	
		(9)
Other:		
Housing & Council Tax Benefits	(74)	
Other minor variances	<u>31</u>	
		(43)
Net Movement		(40)

24. Forecasted staffing costs have increased over the last quarter in both the Chief Executive & Transformation and Partnerships, Planning & Policy directorates. The increase of around £11k compared to the September forecast is in the main due to temporary arrangements put in place prior to departmental restructures being implemented.
25. In October 2013 approval was granted for the redundancy and pension strain costs for seven individuals who came forward voluntarily prior to restructures for voluntary severance. The majority of the costs have been funded from uncommitted budgets and in-year savings as previously reported. A balance of £39k remains at this stage and further savings should be identified by year-end to cover this cost.
26. In setting the estimates for 2013/14 the Council identified a budget provision of £30,000 to help support third sector advice organisations who provide advice and support to residents in need of help with managing finances and debt. The council has worked closely with local advice organisations over the past two years to identify potential gaps in service provision and ensure that the required support is available to residents. This work will not require the full budget as partner organisations are redirecting their advice to provide the necessary support. A saving of £20,000 is forecast this year.
27. The Council's Streetscene section carry out routine maintenance checks of playground equipment. In 2013/14 most maintenance and upkeep work has been carried out in-house. This has kept the current year requirement for external service providers to a minimum resulting in reduced external costs and a forecast underspend against budget of £18,000.
28. 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. As reported in September, income levels for the first half of the year were significantly higher than budgeted, mainly as a result of S106 related issues and this trend has continued in the third quarter. As a result, an additional £12,000 income is now forecast in 2013/14 with the total income for the year estimated to be around £62,000.
29. Throughout 2013/14 the Council has organised activities for young people, particularly for children with disabilities. For many of these activities the Council receives external funding from Lancashire County Council under the Lancashire Break Time initiative. As these activities are organised by the Council's Young Peoples Activities team the majority of costs

are maintained in-house therefore generating additional income for the Council. It is anticipated at this stage that a surplus of around £12,000 should be achieved for 2013/14.

30. The Council's budget for 2013/14 included a sum of £30,000 recharge income for staff in Parks & Open Spaces to work on capital schemes throughout the year and charge the cost of that time to the Capital Programme. However, the majority of schemes in this area are S106 funded and involve the use of external contractors and it now seems likely that there will be minimal staff time that qualifies for a revenue recharge to capital this year.
31. Cemetery income levels dropped in 2012/13 compared to previous years and as a result the 2013/14 budget was reduced accordingly. This year has seen an increased use of the cemetery with the Streetscene section working to improve the grounds of the cemetery and the service provided. It is currently forecast that additional income of around £15,000 should be generated this year.
32. As outlined in previous monitoring reports, 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 third quarter continued to show both a slowdown in the anticipated demand compared to 2012/13 and also an increase in the level of benefits overpayments recovered. During the last quarter, the Benefits Fraud Manager was involved in pro-active investigation work on capital fraud as part of an exercise with the National Fraud Initiative. As a result of both the slowdown in demand and this additional investigation work, the revised forecast is for a further underspend against budget of around £74,000.

MARKET WALK

33. On 29 November 2013 the Council acquired the Market Walk Shopping Centre in the Town Centre. The rental income from the shopping centre over the four months to financial year end will be reserved for transfer to two reserves subject to Member approval.

	2013/14
Income Budget	£'000
Gross Income	(583)
Expenditure Budget	
(Financing costs of the acquisition; marketing and promotion; Legal fees; vacant units service charge; strategic management.)	423
Net Income	(160)
<i>Transfer to equalisation account</i>	80
<i>Transfer to change reserve</i>	80

34. The current estimate is that the period from 29 November 2013 to 31 March 2014 will generate net income of £160k to the Council. If the movement to reserves is approved and assuming final outturn figures remain within forecast, £80k will be transferred to an equalisation reserve in order to smooth any adverse movement in income generation in future years and £80k will be transferred to the Council's change reserve to help fund future service re-organisations.

RETAINED BUSINESS RATES

35. 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.

36. 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 as at the end of December suggest that we are broadly on target, with a projected net rate yield of £25.859m. This includes a £1m adverse adjustment for appeals.
37. The current projection of empty and partly occupied premises reliefs is £0.656m, which is £0.233m 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.
38. Small business rate relief is forecast to exceed the estimate by £0.165m; and mandatory charity relief by £0.030m.
39. The net effect of all variances is a reduction in net rate yield of £0.168m, however there is additional funding from the section 31 grant of £423k (although approximately 50% of this grant will be clawed back through a change to the levy calculation). Overall the forecast for the Council is a £178k favourable position compared to budget.
40. This is the first year of the new system of local retention of business rates and monitoring of performance against the estimates is especially important. The latest estimates indicate we are marginally better off compared to budget however the position regarding appeals could worsen between now and year end which would have an adverse effect. The budget for 2014/15 is being prepared and once all the guidance has been issued from DCLG we will be in a more certain position going forward with regards to future forecasting of business rates.

Section 31 Grant (Small Business Rate Relief)

41. Central Government is committed to refunding Local Authorities for their loss in income from Retained Business Rates as a result of Small Business Rate Relief. The refunds, based on the initial estimates reported through NNDR1, are to be made through a section 31 grant.
42. The Council estimates that it will receive up to £423k as section 31 grant in relation to 2013/14. However it is expected that up to half of this will be clawed back through a change to the business rates levy calculation.
43. It is recommended that this additional funding be used to reduce the use of borrowing within the capital programme in 2013/14 and hence save the subsequent revenue costs of borrowing in 2014/15 and future years.

GENERAL FUND RESOURCES

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 December shows that the General Fund closing balance will be around £2.142m 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	0.118
Forecast General Fund Balance 2013/14	2.142

SECTION B: CURRENT FORECAST POSITION – CAPITAL

45. 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, August and November is as follows:

- 2013/14: £4.276m
- 2014/15: £9.476m
- 2015/16: £1.184m

46. Capital expenditure to date as at 31 December 2013 is £24.942m, if the acquisition of Market Walk is excluded, the revised spend to date is £1.601m. This represents 51% delivery against the revised forecast of expenditure for 2013/14. Some of the larger capital schemes are now on site and completion of the works at 98-102 Market Street and to the Astley Hall Farmhouse before the end of the financial year should see expenditure accelerate in line with the latest estimates.

Approved amendments

47. The main activity of a capital nature since the last report to executive has been the acquisition of Market Walk. The Budget of £23.341m was approved via a special meeting of the Council in November and the purchase went ahead on 29 November.

48. The lowest bid to deliver the refurbishment to the buildings at 98-102 Market Street was £83k over the initial estimate. An Executive Member Decision Report approved the use of other budget within the approved Regeneration programme to be allocated to make up the shortfall.

Proposed amendments

49. Elsewhere on this agenda a report seeks approval to award the contract for the resurfacing of Portland Street and Flat Iron car parks; and tarmacking the Fleet Street “free” car park. The contract price is £57k greater than the initial allocated budget of £308k. Subject to Executive Cabinet approving the contract, £57k will be transferred from the Regeneration programme to the resurfacing budget to fund the additional cost. Given timescales for completion in Spring, it is proposed to transfer the full budget provision of £365k into 2014/15.

Revised Regeneration Project Budget

Project	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	All Years Forecast	Changes from Qtr 2
Projects still in development	0	210	0	210	-140
Market Street Re-development	0	200	0	200	0
Car Park Re-surfacing	0	365	0	365	57
Market Street Refurbishment (98-102)	368	0	0	368	83
Regeneration Programme of Investment TOTAL	368	775	0	1,143	

50. The Capital Budget Investment package for 2013/14 was for £1.475m and to be financed from £1.115m borrowing and £360k capital receipts.
51. The Regeneration Programme was approved as part of the Capital Budget Investment package for 2013/14. An initial £1m was approved for regeneration schemes financed from borrowing. This was later increased to £1.143m as a transfer from the Town Centre Reserve was authorised to assist with the funding for the car park resurfacing work. The additional £143k represents the balance remaining in the Town Centre Reserve – a reserve traditionally used to finance works to the Town’s car parks. The table above shows the likely profile of expenditure with the majority expected to materialise in 2014/15.
52. The remaining £475k investment budget is split as follows:
- Astley Hall and Farmhouse Development Works – £280k: work to the Memorial Arch and Cenotaph is complete and orders are raised for works to the Farmhouse. The budget was increased due to an external contribution of £18k received from Chorley Pals and it is expected that the full revised budget of £298k will be fully expended by the end of the financial year.
 - Clayton Brook Village Hall Extension – £135k: it is likely that the main phase of the extension will be completed in 2014/15.
 - Yarrow Valley Country Park reservoir works – £60k: the improvements to the reservoir are complete.
53. The final financing of the investment projects will be presented in the outturn report and will depend on the final expenditure in 2013/14 and the capital receipts generated.
54. The Leisure Centre Improvement budget has been reviewed as part of 2014/15 budget setting. The previously reported indicative amounts for 2014/15 and 2015/16 are now likely to be greater than future expenditure requirements. The latest estimate of spend on centre improvements this financial year is £200k and the requirements going forward give a forecast surplus of £305k up to 2016/17. It is proposed to transfer this unallocated budget to fund some of the additional works planned as part of the Astley Hall and Park Development Plan.

Leisure Centre Improvements and transfer to Astley Development Plan

Project	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Total
Leisure Centre Improvements – Original Budget	364	282	284	0	930
Leisure Centre Improvements – Revised Forecast	200	75	275	75	625
Balance to be transferred	-164	-207	-9	75	-305
Recommended budget transfer to Astley Hall / Park Development		305			

55. Since the previous monitoring report Housing officers have proposed the re-profile of Housing budgets to better reflect the use of funding and timescale of earmarked delivery. Confirmed allocations for the Disabled Facilities Grant (DFG) funding in 2014/15 have been received and increase the estimated amount for 2014/15 by £12k. From 2015/16 DFGs are

included as part of the Better Care Fund and will be administered by Lancashire County Council. The County have confirmed they will honour indicative allocations for Districts which for Chorley is £370k. The revised DFG budgets is therefore as follows:

- 2013/14: £366k
- 2014/15: £318k
- 2015/16: £370k

56. If all the recommendations above and some other minor adjustments to the profile of project delivery, and outlined in Appendix 4, are approved the revised capital programme will be:
 2013/14: £26.483m (£3.142m excluding the acquisition of Market Walk)
 2014/15: £10.557m
 2015/16: £1.162m

57. The financing of the capital programme will be confirmed at year end and reported in the Outturn Report. There is the opportunity for Members to reduce the use of borrowing to finance expenditure in 2013/14 and avoid the future burden on the revenue budget in 2014/15 and future years by approving the use of revenue surpluses (RCCO).

58. The typical saving over a useful economic (UEL) life of 20 years would be £5k per year for every £100k of upfront capital expenditure. If Members were to approve the replacement of borrowing with RCCO we would target capital schemes with the short UEL first to generate the greatest revenue saving in future years.

59. The table below is an example of the revenue budget savings that could be achieved in 2014/15 and future years by financing capital expenditure in 2013/14 from in-year surpluses. (Saving based on using 50% of the monies due from Section 31 Grant – awarded for losses in Business Rates due to SBRR.)

	Capital Expenditure in 2013/14 £000	UEL (years) £000	Revenue Budget Saving (per year) £000
Replacement of recycling/litter bins & containers	100	10	10
Planned Improvements to Fixed Assets	112	20	6
	212		16

IMPLICATIONS OF REPORT

60. 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

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	20/01/14	Revenue and Capital Budget Monitoring 2013-14 Report 3