

| Report of | Meeting | Date |
|--|-------------------|--------------------------------|
| Chief Executive (Introduced by the Executive Member for Resources) | Executive Cabinet | 20 th November 2014 |

REVENUE AND CAPITAL BUDGET MONITORING 2014/15 REPORT 2 (END OF SEPTEMBER 2014)

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 2014/15.

RECOMMENDATION(S)

2. Note the full year forecast position for the 2014/15 revenue budget and capital investment programme.
3. Following the success of the Chorley in Bloom and buy-in from the community, Council is requested to approve the setting aside of £40,000 from in-year underspend to develop proposals surrounding the in bloom concept.
4. Request Executive approves the use of £30,000 from budget savings in 2014/15 to fund the additional cost of borough-wide campaigns and events.
5. Request Council approve the use of £112,000 from budget savings achieved on the Property Services contract in 2014/15 to contribute a sum of £65,000 towards the Town Hall refurbishment works and £47,000 towards the capital cost of Christmas attractions and events. It is further proposed that any additional saving achieved in 2014/15 against this budget is transferred to the Buildings Maintenance Reserve to fund future asset improvement works.
6. Note the transfer of a sum of £30,000 received from Chorley Community Housing to an Earmarked Reserve to fund continuation of the Employability Officer post in 2015/16.
7. Note the forecast position on the Council's reserves.
8. Request Council approve the following additions to the capital budget all externally funded from Section 106 receipts: £120k for the programme of improvement works at Ranglett's Recreation Ground; £63k for the improvement of the boroughs playing fields; and £2k from three small contributions to the Eaves Green development.
9. Note the addition of a £10k contribution received from Lancashire County Council to the Buttermere Play and Recreation budget.
10. Request Council approve the transfer of budgets between the capital and revenue budgets to better reflect future delivery of schemes – for further information see paragraph 59.
11. Request Council approve the removal of a £80k budget in the capital programme originally earmarked to fund the Council's contribution to a future highway improvement scheme which is no longer going ahead.

12. Request Council approve the removal from the capital programme of £25k for IT Projects. This element of the project will be funded from in-year revenue savings rather than borrowing, which will save the Council the cost of repayment in future years.
13. Note the addition to the capital programme of £1.1m to fund the agreed Council contribution to the Croston Flood Prevention Scheme approved at Council on 23rd September 2014.
14. Request Council approve the proposed re-profiling of the Capital Programme to better reflect delivery in 2014/15.

EXECUTIVE SUMMARY OF REPORT

15. The projected revenue outturn currently shows a forecast underspend of £217,000 against budget (excluding additional net income from Market Walk). No action is required at this stage in the year. It is proposed elsewhere on the agenda that part of this underspend will be used to fund design and appraisal of the Extra Care scheme at Fleet Street.
16. The latest forecast excludes any variation to projected expenditure on investment items added to the budget in 2014/15. These projects are forecast to fully expend in 2014/15 and should there be any balances remaining at year end they will be transferred into specific reserves and matched to expenditure in future years.
17. In the 2014/15 budget the expected net income from Market Walk is £543k. The latest projection – after taking into consideration £190k reserved to fund feasibility costs of the proposed extension and £100k transferred to fund further Town Centre Investment – is £707k. It is proposed that the £164k surplus be transferred to reserves, allocated 80:20 between the change management reserve and the Market Walk income equalisation reserve. This will bring Market Walk reserves to £198k by 31st March 2015.
18. The forecast of capital expenditure in 2014/15 is £5.767m.
19. The Council expected to make overall target savings of £130k in 2014/15 from management of the establishment. Excellent progress has been made in this area and I am pleased to report that the full savings target for 2014/15 has been achieved.
20. 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 could be around £2.406m.

| | | |
|--|-----|----|
| 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)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

22. None.

CORPORATE PRIORITIES

23. 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

24. The Council's current net revenue budget is £15.850m.

25. 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.

26. The 2014/15 budget included additional revenue and capital investment which focused on the Council's corporate priorities, together with major investment budgets carried forward from 2013/14. A sum of £0.660m (revenue) and £0.424m (capital) was approved for new investment. Details of the revenue costs incurred and expenditure committed to date can be seen in Appendix 2.

27. The Council's approved revenue budget for 2014/15 included target savings of £130,000 from management of the staffing establishment.

28. It was recommended in the June budget monitoring report that £100k of additional income from Market Walk be transferred to invest in the Town Centre Grants Programme and that any surplus additional income, currently forecast to be around £164k, be divided on a 80:20 basis between two reserves: the equalisation reserve to smooth any fall in forecast income from Market Walk in future years; and the change management reserve which would assist in funding future organisational change.

29. The latest forecast of capital expenditure in 2014/15 is £5.767m. Explanations for the changes to the previously reported position to Cabinet in August 2014 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 half of the financial year and adjusted for future spending based upon the latest timescales for project delivery.

SECTION A: CURRENT FORECAST POSITION – REVENUE

30. The projected outturn shown in Appendix 1 forecasts an underspend compared to budget of around £217,000 (excluding any additional net income from Market Walk). The significant variances from the last monitoring report to Executive 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 | (44) | |
| Management of the Establishment | (30) | |
| Citizens Advice Bureau (Debt Advice) | (30) | |
| Campaigns & Events | 30 | |
| Computer Equipment/Software - ICT Services | (40) | |
| Leisure Services Contract | (20) | |
| Transport Fleet | (33) | |
| Chorley Local Plan | 42 | |
| Bengal Street Depot – Business Rates | <u>10</u> | |
| | | (130) |
| Income: | | |
| Bengal Street Depot – Rent/Service Charge | <u>23</u> | |
| | | 23 |
| Other: | | |
| Development of in bloom concept | 40 | |
| Housing & Council Tax Benefits | (35) | |
| Pensions Account | (12) | |
| Other minor variances | <u>(15)</u> | |
| | | (22) |
| Net Movement | | (129) |

31. The forecast saving of £55,000 on staffing costs shown in the table above is in addition to a further contribution of £30,000 made this quarter to meet the corporate savings target for 2014/15. The additional savings have been as a result of vacant posts from both the Chief Executive and Customer & Advice Services directorates remaining in the establishment following the departmental restructures being implemented.

32. In setting the estimates for 2014/15 the Council identified a budget provision of £30,000 to help support third sector advice organisations (in particular the Citizens Advice Bureau) 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. Partner organisations are redirecting their advice to provide the necessary support and as a result, the budget provision of £30,000 is no longer required giving a saving in 2014/15.

33. The Council is to invest further on the campaigns and events scheduled for in and around the town centre leading up to Christmas. This year there is an opportunity to bring a number of

attractions together to encourage people to visit the town and stay for longer. It is anticipated that the additional cost of these attractions will be in the region of £30,000 and as a result it is recommended that the Council approve the budget transfer from the saving on debt advice outlined above to cover this additional cost in 2014/15.

34. The current budget forecast for Computer Equipment/Software is for an underspend of around £40,000 in the current year. This includes a provision of £27,000 included in the base budget for 2014/15 to help cover the increase in contract costs for Microsoft Licences. It is now anticipated that the increase will not come into effect until 2015/16. A further saving of around £13,000 is forecast on ICT contracts, with one of the main savings being the reduction in costs for Members internet charges following the roll-out of Members iPads.
35. In the June monitoring report, a budget shortfall of around £20,000 on the Council's leisure centre's contract was outlined. This was as a result of a reduction in the recharge of staff time to the Capital Programme as the main roof works are now anticipated to start towards the end of the financial year. I am pleased to report that the forecast deficit of £20,000 has now been offset by a reduction in the contract costs following recent negotiations with Active Nation. Although negotiations are still ongoing and the revised contract is yet to be signed off, the ongoing monthly charges have already been revised to reflect this reduction.
36. The Council recently acquired a number of new grounds maintenance vehicles (mowers, sweepers, tractors) for use in the Streetscene Delivery teams and these have now been placed on lease with effect from late August of this year. As the lease only commences mid-year there will be a one-off saving against budget as only charges for August to March will be incurred in 2014/15. In addition, the fleet of vehicles are relatively new at three years old and therefore require minimum maintenance allowing for further fleet savings. Assuming that any further vehicle acquisitions will only be placed on lease with effect from April of 2015, the current forecast is for a saving on fleet transport costs of around £33,000 this year.
37. One issue still to be resolved is the proposed site allocation for Gypsy and Traveller and Travelling Showpeople under the Chorley Local Plan 2012-26. The Council's proposed allocation has recently been approved for submission to the Local Plan Inspector for examination, due to reconvene on 23 and 24 September. The Council will likely incur significant costs following the re-opening of the examination hearing, with initial estimates of around £42,000 required to cover potential costs of the Programme Officer, Inspector and Barrister. Previous budget provision to cover costs associated with the Council's Local Development Framework have been fully utilised in 2013/14 but considering the current forecast revenue outturn position these costs can be met from current year underspends.
38. A report to Executive Cabinet on 21st March 2013 outlined the benefits of sharing the Bengal St Depot site with registered charity Recycling Lives. The proposals detailed the potential budget savings of £86,000 going forward from shared site costs and rental income. Based on these proposals, the Council's budget for 2014/15 included a total sum of around £45,000 for the first year savings on shared business rates and rental income. As the final details of the lease have still to be agreed, the full year savings will not be realised this financial year. As a result, the anticipated saving from shared business rates will not be achieved resulting in a cost of around £10,000 and there will be a loss of rental income of around £23,000 assuming the lease is finally signed off for a commencement date of 1 January 2015.
39. Following the success of the Chorley in Bloom and buy-in from the community, we are proposing to set aside £40,000 to develop proposals surrounding the in bloom concept. This will be funded from in-year underspends.
40. 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 second quarter continue to show an increase in the level of costs recovered as a result of proactive investigation work. As a result, the revised forecast is for a further additional income sum of around £35,000 against the 2014/15 budget.

41. The 2014/15 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 2014/15 have now been received from LCC and are lower than anticipated in budget. This should result in a budget underspend of around £12,000 in the current year.
42. One area excluded from the forecast figures detailed in Appendix 1 is the potential savings achievable on the property services contract now that the Liberata contract has ended and the service brought in-house. It is estimated, based on costs to date in the current year that a budget saving of over £120,000 should be achievable in 2014/15. It is proposed that the budget saving in 2014/15 is used to contribute a sum of £65,000 towards the cost of the Town Hall refurbishment works and also a sum of £47,000 towards the additional cost of Christmas lighting in 2014. Any remaining saving should be transferred to the Buildings Maintenance Reserve to fund future asset improvement works.
43. Earlier this year the Council launched an employability service to help unemployed local people, aged 25 to 49, to increase their chances of finding work. With funding from the Department for Work and Pensions, the new post of Employability Officer was created to help deliver the service, initially for a period of nine months. Subsequently, additional funding of around £30,000 has since been received from Chorley Community Housing to enable continuation of the service. It is therefore proposed that the CCH funding is transferred to a specific earmarked reserve to fund this post into 2015/16.

MARKET WALK

44. The budgeted net rental income from the Market Walk in 2014/15 is £543k. The latest forecasts estimate the Council will receive an additional £454k. This improved position is due to the letting of three units over the summer, savings to operational costs and reduced costs of financing the acquisition.
45. Of the additional income forecast £190k is to be used to fund design, planning and feasibility costs in relation to the extension to Market Walk and £100k has been transferred to finance further investment in the Town Centre through the Town Centre Grants Programme, continuing the Council's support of new local businesses through the award of shop front and shop floor grants.

Table 2: Market Walk Income Forecast (September 2014)

| | 2014/15 Budget | 2014/15 Sep-14 Forecast | 2014/15 Variance |
|---|-------------------|-------------------------------|---------------------|
| Income Budget | | | |
| Gross Income | (1,759,827) | (1,795,580) | (35,753) |
| Expenditure Budget | | | |
| Operational costs and financing | 1,216,630 | 798,295 | (419,546) |
| | (543,197) | (997,284) | (453,213) |
| Commitments | | | |
| Market Walk Extension - design / feasibility costs | 0 | 190,000 | 190,000 |
| Transfer to Reserve for Town Centre Investment | 0 | 100,000 | 100,000 |
| Net Income | (543,197) | (707,284) | (163,213) |
| Transfer to reserve as per 2014/15 Budget Report | | | |
| Equalisation Reserve (annual contribution) | 50,000 | 50,000 | 0 |
| Asset Management re Market Walk | 50,000 | 50,000 | 0 |
| Revised Net Income | (443,197) | (607,284) | (163,213) |

46. The approved budget made provision for a £50k transfer to reserve to fund asset maintenance costs outside of the service charge agreement and a £50k transfer to an equalisation account to build up a reserve to fund any future reduction to income levels. Should these amounts remain unchanged, based on current forecasts the revised net income will exceed budgeted estimates by £164k in 2014/15.
47. It is proposed that the additional income of £164k is transferred to reserves, allocated on the 80:20 basis in line with previous allocations, between the Market Walk income equalisation reserve and the change management reserve.

GENERAL FUND RESOURCES AND BALANCES

48. With regard to working balances, and as per Appendix 1, we started the year with a balance of £2.189m. 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 £2.406m as detailed in the table below.

Table 3 – Movement in General Fund Balance

| General Balances | £m |
|--|--------------|
| Opening Balance 2014/15 | 2.189 |
| Provisional revenue budget underspend | 0.217 |
| Forecast General Fund Balance 2014/15 | 2.406 |

49. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2014/15.

RETAINED BUSINESS RATES

50. The Business Rates Retention (BRR) scheme was introduced in April 2013. It provides a direct link between business rates growth or decline, and the amount of money the council has to spend on local people and local services. The Council is able to keep a proportion of business rates revenue, as well as growth generated on that revenue, within their local area. Conversely any decline in Business Rates revenue levels reduces the income received by the Council.
51. The calculation of the Business Rates expected to be retained (which was included in the 2014/15 approved budget) and a comparison with our latest forecast for the year is outlined below. The council receives resources for the year based on the initial estimate of business rates income included in the budget at the start of the financial year. Any change, be it a surplus or deficit, will normally be realised in the following two years.

Table 4 – Business Rates Income Projection

| | Budget 2014/15 £000 | June Forecast 2014/15 £000 | Variance £000 | |
|--|---------------------------|-------------------------------------|------------------|--|
| Net Rate Yield (after deducting reliefs, cost of collection and appeals) | 27,015 | 27,547 | 532 | 1% growth forecast in 2014/15 and small reduction in reliefs (mirrored by reduction in section 31 grant below) |

Calculation of Chorley retained income:

| | | | | |
|--|--------------|--------------|------------|---|
| Retained by Chorley (before tariff/levy) | 10,806 | 11,019 | 213 | CBC retain initial 40% of income collected before further deductions |
| Tariff to Central Government | (7,646) | (7,646) | 0 | Fixed deduction to Central Government |
| Levy to Central Government | (620) | (694) | (74) | Reduction calculated against excess collected over base funding level |
| Estimated retained business rates | 2,540 | 2,679 | 139 | |
| Section 31 Grant | 753 | 681 | (72) | S31 grant compensates councils for an increase in reliefs – currently forecasting a slight reduction in line with reduced reliefs |
| Retained Rates and Section 31 Grant | 3,293 | 3,360 | 67 | |

Budget split:

| | | | | |
|---|--------------|--------------|-----------|--|
| Base Funding Level | 2,619 | 2,619 | 0 | |
| Growth included in base budget | 171 | 171 | 0 | |
| Growth earmarked for Business Rates Reserve | 503 | 570 | 67 | Included in the budget to smooth future years fluctuations in income |
| | 3,293 | 3,360 | 67 | |

52. The latest forecast of the income yield – net of costs for reliefs, cost of collection, bad debt and estimated appeals – is an increase in Chorley's share of retained rates of £67k. At this stage the monitoring of performance against budgeted estimates for the local retention of business rates is subject to change due to the volatility of variables such as the outcome of outstanding appeals. These latest estimates indicate we are meeting expectations included in the budget however further fluctuations will be closely monitored and any significant variances reported in the next monitoring report to Cabinet.

53. Central Government is committed to refunding Local Authorities for their loss in income from Retained Business Rates as a result of temporary changes to Small Business Rate Relief, Empty Property Relief and Retail Relief. DCLG have confirmed that the Council will receive compensating payment in the form of a section 31 grant in relation to reliefs in 2014/15.

54. In the latest forecast above the projected section 31 grant to the Council has reduced but there has been an equal reduction in the number of reliefs, which accounts for some of the increase in net yield.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

55. The Capital Budget for 2014/15 to 2016/17 as approved at Special Council in February and taking into account amendments reported to the Executive in June and August is as follows:

- 2014/15: £13.014m (includes £6.65m for Chorley East Health Centre)
- 2015/16: £1.228m
- 2016/17: £0.390m

56. Capital expenditure and commitments raised as of 30th September 2014 are £1.668m. This represents 30% delivery against the latest forecast for 2014/15. It is expected that with many schemes now on site that expenditure will accelerate throughout the second half of the year.

Amendments

57. Executive Cabinet is asked to approve the following additions to the capital budget:

- The improvement works at Ranglett's Recreation are being funded from section 106 contributions received in relation to the former Lex Autologistics site. The balance of funding following the initial cost plan for the scheme was £120k. It is proposed to add the remaining funding to the capital budget.
- £63k has been received for improving playing pitches in the borough.
- We have received a contribution of £10k from Lancashire County Council to add to the budget already in place for work on a new ball court and play area enhancement at Buttermere Green.

58. Executive Cabinet is asked to note the addition to the budget of the Croston Flood Prevention scheme. The Council is financing the funding gap of £1.1m and the budget has provisionally been profiled into 2015/16. This will mean the repayment of borrowing, over 50 years, will commence in 2016/17. The Council is continuing to lobby partners and third parties to raise additional funding in order to minimise this sum.

59. Executive Cabinet is asked to approve the following budget transfers between the capital and revenue budget to better reflect delivery:

59.1. The budget of £15k for an HR IT system, funded from a revenue reserve, will fund the new employee benefits software and is best categorised as revenue expenditure.

59.2. A contribution of £13,500 from Places for People is to be transferred to the capital programme.

59.3. In 2013/14 a three year recurring budget of £100k per annum was approved as part of the Play and Open Space Strategy. The scale of the schemes are such that the budget is more suitable to be classified as capital and so it is proposed to transfer the full allocation of £300k to the capital programme and reserve for schemes to improve play provision at parks as follows:

- £100k Astley Park (matched with an additional £75k from the existing Astley Park improvements capital budget);
- £50k King George V playing fields;
- £50k Tatton Recreation Ground;
- £50k Harpers Lane Recreation Park;
- £50k Coronation Recreation Ground.

60. The budget for the Chorley East Health Centre is to be re-profiled to reflect the latest timetable of delivery. The estimated cost is £6.650m and this will be split with approximately one quarter costs in 2015/16 and the remainder in 2016/17.

61. The budget for the scheme improving play facilities at the Jubilee recreation ground in Adlington has increased by £30k following a transfer of section 106 funding from the repair and renewal of playing fields budget.

62. The replacement bin capital programme has already utilised the initial budget profiled for this financial year. £40k of the 2015/16 budget has been accelerated to deal with the increase in demand. Bin stocks will be closely monitored for the remainder of the year with a view to increasing the annual budget going forward should the current level of activity continue.

63. The programme of improvement works to Ranglett's Recreation Ground is funded from section 106 contributions. The section regarding the increase to the budget is explained above, however £150k of the funding has been held on another budget line. This report brings together all the funding required to complete the scheme. The main elements and

costs are listed below; the full scheme is now budgeted to cost £705k; £605k this financial year.

- £100k Mineshaft and ground treatment works (completed 2013/14);
- £32k Mineshaft and ground treatment works and other preliminaries;
- £278k Phase 1 – footpath, lighting, installing car parking and other hard/softworks;
- £125k Phase 2 – creation of a MUGA and extension of existing play area;
- £100k Phase 3 – construction of a wheeled sport area;
- £70k towards enhanced parking works on Bolton Road.

64. The budget of £726k reserved for a project at the Buckshaw Railway Station and funded from section 106 contributions has been re-phased to 2015/16.

65. The final recommendations with regards to the capital programme are:

- (i) The removal of the £80k budget for the Council's contribution to a future highway scheme at Eaves Green Link Road. The scheme has not materialised and the funding from a section 106 contribution has not been received.
- (ii) The IT Projects budget of £47k included £25k to be financed from borrowing. Given the projected underspend within the Customer Services and ICT department this will now be funded from in-year revenue savings and in addition save on the cost of borrowing in future years.

66. If all the recommendations above are approved the revised capital programme will be as summarised below and as presented in Appendix 4:

- 2014/15: £5.767m
- 2015/16: £4.977m
- 2016/17: £5.378m

Capital Financing

67. The capital programme is financed using different sources of funding. The table below shows the latest proposed financing based on the forecast of expenditure in 2014/15. This in line with budget and will be reviewed at year-end to best manage the Council's own resources.

Table 5: Capital Financing as at 30th September 2014

| Fund | 2014/15 £'000 |
|----------------------------------|--------------------------|
| External Contribution | 2,507 |
| Government Grant | 929 |
| New Homes Bonus | 424 |
| Revenue | 498 |
| Capital Receipts | 159 |
| Borrowing | 1,250 |
| Capital Financing 2014/15 | 5,767 |

IMPLICATIONS OF REPORT

68. 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

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

COMMENTS OF THE MONITORING OFFICER

70. 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 | 29/07/14 | Revenue and Capital Budget Monitoring 2014-15 Report 1 |