

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	19 November 2015

REVENUE AND CAPITAL BUDGET MONITORING 2015/16 REPORT 2 (END OF SEPTEMBER 2015)

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 2015/16.

RECOMMENDATION(S)

2. Note the full year forecast position for the 2015/16 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Council approve the use of £75,000 surplus generated from Market Walk to invest in the Retail Grants Programme.
5. Request Council approve the use of £25,000 from the budget provision for Chorley Youth Zone to finance the Chorley Grand Prix cycling event in March 2016.
6. Request Council approve to set aside around £70,000 of additional revenue income from Council Tax Summons and Liability Order charges in 2015/16 to offset any future increased liability in bad debts as a result of these charges. Details are outlined in paragraph 34.
7. Request Council approve the proposed additions, deletions and re-phasing of the Capital Programme to better reflect delivery in 2015/16. Further details are outlined in paragraphs 46 to 59.

EXECUTIVE SUMMARY OF REPORT

8. The projected revenue outturn currently shows a forecast underspend of £380k against budget (after deducting the use of in-year savings previously approved at Executive Cabinet). This would reduce to £355k should the recommendations shown above be approved.
9. The latest forecast excludes any variation to projected expenditure on investment items added to the budget in 2015/16. These projects are forecast to fully expend in 2015/16 and should there be any balances remaining at year end they will be transferred into specific reserves and matched to expenditure in future years.
10. In the 2015/16 budget the expected net income from Market Walk after deducting financing costs is £0.980m. The latest projection shows that the forecast outturn is £1.132m, the surplus being driven by lower than budgeted financing costs.
11. The forecast of capital expenditure in 2015/16 is £6.502m.

12. The Council set a savings target of £150k in 2015/16 from the management of the establishment. Excellent progress has been made in this area and I am pleased to report that the full savings target for 2015/16 has been achieved.
13. The Council's Medium Term Financial Strategy proposed that working balances are to reach £3.0m over the 3 year lifespan of the MTFs to 2017/18 due to the financial risks facing the Council. A budgeted contribution into General Balances of £350k is contained within the new investment package for 2015/16. The current forecast to the end of September indicates that the General Fund balance will be £2.993m by the end of the financial year.

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)

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 £16.639m. This has been amended to include approved slippage from 2014/15 and any transfers from reserves.
18. A full schedule of the investment budgets carried forward from 2014/15 and the new (non-recurrent) investment budgets introduced in the 2015/16 budget are shown in Appendix 2 together with expenditure to date against these projects.

19. The Council's approved revenue budget for 2015/16 included target savings of £150,000 from the management of the staffing establishment. Savings of £100,000 had previously been identified and reported in quarter 1.
20. It was recommended in the June monitoring report that Council should approve the use of £338,000 of the forecast in-year savings for the funding of service improvements (shown below), so that the remaining underspend of £106,000 would be added to General Balances if all proposals were approved.
- £100,000 ICT Contracts
 - £61,000 Town Centre Grants Programme
 - £36,000 Christmas Lighting
 - £56,000 Single Front Office Apprenticeships
 - £85,000 CCTV Programme
21. 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.
22. The latest forecast of capital expenditure in 2015/16 is £6.502m. The latest capital forecast is detailed 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

23. The projected outturn shown in Appendix 1 forecasts an underspend of £380,000. The significant variances from the last monitoring report to Executive are shown in the Table 1. 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	(44)	
Citizens Advice Bureau (Debt Advice)	(30)	
Computer Equipment/Software	(22)	
Chorley Youth Zone	<u>(35)</u>	
		(131)
Income:		
Integrated Home Improvement Service	(33)	
Planning Fee Income	50	
Car Parking Fees	<u>15</u>	
		32
Other:		
Benefits	(77)	
New Burdens Grant – Property Searches	(104)	
Other minor variances	<u>6</u>	
		(175)
Net Movement		(274)

24. The forecast saving of £44,000 on staffing costs shown in the table above is in addition to a further contribution of £50,000 made to meet the corporate savings target for 2015/16. The total savings of £94k are predominantly from Customer & ICT Services and the Chief Executive's Office. The staffing savings achieved to date are a result of vacant posts. Some posts remain vacant in anticipation of restructures that will be introduced to meet the 10% savings challenge as part of the 2016/17 budget review.
25. The Council's budget for 2015/16 included £30,000 to help support third sector advice organisations (in particular the Citizens Advice Bureau) provide advice and support to residents in need of help with managing their 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 of £30,000 is no longer required giving a saving in 2015/16.
26. The current forecast for Computer Equipment/Software is for an underspend of around £22,000 in 2015/16, of which £16,500 is a result of savings achieved on the Council's managed infrastructure contract. It should be noted that these savings were in relation to the implementation of the new contract and are therefore one-off savings for 2015/16 only.
27. For 2015/16 the Council's budget included a provision of £50,000 in relation to running costs for the new Chorley Youth Zone. As this scheme is now unlikely to go live until 2017/18 the majority of this funding for 2015/16 will not be required, although some costs may still be incurred this year in respect of payments to the Arts Partnership. It is assumed that at least £35k will be available from this budget and a recommendation is made to use this available resource to fund the second Chorley Cycling Grand Prix event. The first event held in April this year was hugely successful and a second event was to be planned for April 2016 and funded from the 2016/17 revenue budget. However, due to timing of available dates in the cycling calendar, a second event will be held in March 2016 and financed in the current financial year.
28. The Council has recently entered into a 3 year collaboration agreement with Lancashire County Council for the Integrated Home Improvement Service (IHIS). The arrangement which provides a handyperson and minor repairs service came into effect from 1 July 2015 and replaces the previous Supporting People funding. Based on previous discussions with LCC, the Council's budgets for 2014/15 and 2015/16 included assumptions that the funding would cease. However funding has been agreed until 2017/18 and this, together with one-off additional funding of around £9k at the end of the Supporting People programme, has resulted in a surplus income of around £33k income for 2015/16.
29. One area where income levels have fallen in recent months is for Planning Application fees. Income received for the second quarter is significantly lower than budgeted levels for 2015/16 and this has resulted in a revised income forecast of around £600,000 for the year, £50,000 below budget. This is comparable to the outturn position for 2014/15. It should be noted however that income from planning fees can fluctuate greatly from month to month and the forecast deficit could still be reversed by the end of the year.
30. As part of the budget package for 2014/15, £100,000 was added to the budget to allow the administration to continue with the revised car parking tariff that was introduced to promote the use of the Town Centre. Based on actual income levels throughout the financial year the full year effect of the new tariff is now estimated to be around £125,000 resulting in a shortfall against budget of around £25k. Forecast income levels for 2015/16 based on the first six months of the year indicate that a shortfall of around £35k is likely (including the impact of the new tariff). This represents a change of £15k from the position outlined in the June report and is broadly in line with the outturn figures for 2014/15. If these levels are maintained for the remainder of the year, budget projections for future years will need to be adjusted accordingly.

31. The housing benefits payments budget could have a significant impact on the Council's year-end position. Showing a similar trend to 2014/15, figures for the first six months of the current year continue to show an increase in the level of housing benefit overpayments recovered as a result of pro-active investigation work. Resultantly, the initial forecast is for additional income of around £77,000 against the 2015/16 budget.
32. The Council has previously agreed a settlement payment of around £107,000 in respect of the outstanding legal case for property search fees which has been charged to the 2014/15 revenue account. In the Provisional Revenue Outturn report to Executive Cabinet on 25 June it was reported that Bevan Brittan Solicitors had confirmed that the Government intended to make interim payments to local authorities in respect of Local Land Charges Register (LLCR) personal search fees. Payment details have just been announced and the initial payment from DCLG is divided between authorities according to the value of their settlement in respect of LLCR claims. The sum due to be received in respect of Chorley BC claims is just over £104k. Agreement over the claimants solicitors costs has still to be reached and the Government has yet to announce whether a further payment will be made in respect of these legal costs.
33. At the Executive Cabinet meeting in August, members approved to set aside additional funding to invest in the Retail Grants Programme. Demand for this programme continues to be extremely high and the majority of the additional funding is now already committed. The remaining balance will only be sufficient to continue funding in the short term so in addition it is recommended that a sum of £75,000 be approved to continue investment in the scheme.

Additional income generated from Market Walk in 2014/15 was transferred to a reserve to cover potential costs relating to Market Walk extension feasibility and planning. As these costs are now charged to the capital programme the reserve can be used to fund the additional requirement of the Retail Grants scheme, contributing to the town centre economy.

34. One area excluded from the forecast figures detailed in Appendix 1 is the additional income generated in 2015/16 from the recovery of Council Tax Summons and Liability Orders. On issue of a summons for non-payment of Council Tax, a charge of £53.50 is added to the council tax payer's account. For cases that are not paid in full or are withdrawn by the court hearing date, a liability order is granted and a further £39.00 costs are charged. These costs have remained unchanged since April 2011 but a major increase in caseloads has resulted in a significant increase in income.

Based on charges raised to the end of September, a forecast increase of around £70,000 is anticipated for 2015/16. This compares to a surplus of £116,000 for the full year in 2014/15. It is difficult to determine the exact cause of the increase in caseloads but one possible explanation is the introduction of Council Tax Support and the recent technical reform changes. It should be noted that raising these charges is no guarantee that these costs will actually be recovered and an allowance will need to be made for non-payment. It is unclear at this stage as to the level of recovery as this can take place over a number of years. As a result, the Council approved that the surplus income in 2014/15 be set aside to offset any future increased liability in bad debts as a result of these charges. It is recommended that the surplus for 2015/16 is also set aside to mitigate potential bad debts. Members will be updated on this position in future monitoring reports.

35. At the previous Executive Cabinet meeting in October, members were provided with an update on the Council's waste collection contract with Veolia. The report outlined the recommendation to cease the current contract on 31 March 2019 and repay the contract savings of £50,000 per annum for the years 2013/14 to 2018/19. It is still to be agreed with Veolia how and when this repayment will be made and as a result, no adjustments to the 2015/16 budgets have been made at this stage. It is possible for example that Veolia could agree to recover the costs over the remaining years of the contract 2016/17 to 2018/19 and

that no impact is made in the current year. Discussions are ongoing with Veolia and members will be updated once agreement has been made.

MARKET WALK

36. The budgeted net rental income from Market Walk after taking account of financing costs in 2015/16 is £0.980m. The latest forecast shows a saving of £0.152m and is detailed in Table 2 below.

Table 2: Market Walk Income Forecast (September 2015)

	2015/16 Budget £	2015/16 Forecast £	2015/16 Variance £
Income Budget			
Gross Income	(1,893,790)	(1,871,920)	21,870
Expenditure Budget			
Operational costs (excluding financing)	129,950	132,040	2,090
	(1,763,840)	(1,739,880)	23,960
Commitments			
Market Walk Extension costs	26,780	0	(26,780)
Net Income before Financing Costs	(1,737,060)	(1,739,880)	(2,820)
Financing Costs within Net Financing	756,880	607,800	(149,080)
Net Income after Financing Costs	(980,180)	(1,132,080)	(151,900)
Transfers to/(from) reserves			
Equalisation Reserve (annual contribution)	50,000	50,000	0
Asset Management re Market Walk	50,000	50,000	0
Market Walk Reserve re Extension costs	(26,780)	(26,780)	0
Total transfers to/(from) reserves	73,220	73,220	0
Revised Net Income	(906,960)	(1,058,860)	(151,900)

37. The 2015/16 income forecast has not changed significantly since June. This is the net effect of a unit becoming occupied in December and another potentially becoming vacant at the end of January.
38. The 2015/16 operational costs forecast has increased from £106k to £132k. The current forecast now includes £12k additional fees for special advice relating to tenant mix and future developments and £6k for valuations that were required as part of the financial statements. In addition there has been £4k expenditure for fitting a kitchen and toilet at the unit used for pop-up shops.

39. The approved budget made provision for a £50,000 transfer to reserve to fund asset maintenance costs outside of the service charge agreement and a £50,000 transfer to an equalisation account to build up a reserve to fund any future reduction to income levels.
40. The 2015/16 budget included financing costs of £101,780 in respect of the Market Walk extension, these funds were transferred from the Market Walk Reserve. Planning related expenditure of £125k for the extension of market walk was originally charged to this budget however it is requested that these costs are added to the market walk capital project (see paragraph 57). It is recommended that £75,000 of the reserve is no longer allocated to market walk and instead be allocated to the extension of the Retail Grants Programme.
41. The Council's budget for 2015/16 was prepared on the assumption that £5m extra 25-year PWLB borrowing would be taken to replace the use of internal cash balances by the end of 2014/15. The reason being to secure cash at a lower interest rate than might be available in the future. The extra borrowing was not taken, so this accounts for most of the one-off saving in Financing Costs in Table 2. Should the Council be advised that PWLB rates are due to rise, additional borrowing could be taken before year-end and the impact would be reflected in budget monitoring. Additional borrowing would be taken only when longer term budget savings could be achieved by avoiding interest rate increases.

GENERAL FUND RESOURCES AND BALANCES

42. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £2.288m. The approved MTFs proposes that working balances are to reach £3.0m over the 3 year lifespan of the MTFs to 2017/18 given the budgetary challenges facing the Council. The current forecast to the end of September shows that the General Fund closing balance could be around £2.993m as detailed in the table below.

Table 3 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2015/16	2.288
Budgeted contribution to General Balances	0.350
Forecast revenue budget underspend assuming Council approval of additional expenditure	0.355
Forecast General Fund Balance 2015/16	2.993

43. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2015/16.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

44. Table 4 summarises:
- Capital budget (1) – the capital budget agreed by Special Council in March 2016 taking into account amendments reported to the Executive in June.
 - Capital Budget (2)- the 3 year capital budget if all the recommendations described below are approved

Table 4: Profiling of the Capital Budget 2015/16 – 2017/18

Year	Capital Budget (1) £'000	Capital Budget (2) £'000	Changes £'000
15/16	10,635	6,502	(4,132)
16/17	3,813	8,224	4,411
17/18	2,149	2,149	0
Total	16,597	16,875	278

45. Capital expenditure and commitments raised as at 30th September 2015 were £1.885m. This represents 29% delivery against the latest forecast of £6.502m for 2015/16.

Amendments

Phasing

46. Executive Cabinet is asked to approve the following changes to the phasing of the budget between financial years:
47. The 2015/16 forecast for works relating to the Disabled Facilities Grant (DFG) is £370k and is matched by the 2015/16 grant allocation. £50k was allocated from capital receipts in 2015/16 to mitigate a possible reduction in the 2015/16 DFG allocation. As the grant will be matched by expenditure in 2015/16 it is requested that the £50k funding from capital receipts be re-phased into 2016/17 and allocated to the 2016/17 DFG programme.
48. The leisure centre condition surveys have been received and identify £187k of works in 2016/17 with minimal further works identified in 2015/16. It is requested that £125k of the remaining 2015/16 capital budget be re-phased into 2016/17 to partially cover these improvement works.
49. The Section 106 funded Buckshaw Village Railway Station has a 2015/16 allocation of £726k. The 2015/16 forecast expenditure is £30k for the design of a footbridge subject to feedback from Network Rail. It is requested that the remaining £696k budget is re-phased into 2016/17.
50. Works to the access roads at Ranglett's Recreation Ground will not begin until early 2016/17. It is requested that £50k of 2015/16 budget, funded through Section 106 receipts, be re-phased into 2016/17 to meet these costs.
51. The upgrade of Yarrow Valley car park is expected to begin in April 2016. Of the £225k budget, £10k is forecast to be spent in 2015/16. It is requested that the remaining £215k be re-phased into 2016/17 to fund the completion of the car park in August 2016.
52. The budget for the Chorley East Health Centre is to be re-phased to reflect the latest timetable of delivery. Construction will not begin in 15/16 however £100k is forecast to be spent in this financial year on professional fees relating to planning. The estimated total cost of £7.036m is to be split £100k 2015/16, £5.177m in 2016/17 and £1.759m in 2017/18. This represents a transfer of £1.659m from 2015/16 into 2016/17.
53. The Chorley Youth Zone has a £1.118m capital budget assigned for the demolition of existing buildings and construction of the new Youth Zone. £150k is forecast to be spent in

2015/16 for design and other pre-build expenditure. The remainder of the capital budget will be committed in 2016/17. A request is made to re-phase £968k of the capital budget from 2015/16 into 2016/17.

54. A deposit of £150k has been paid for the purchase of Buckshaw Community Centre however the final payment will not be made until 2016/17. It is requested that £450k be re-phased from 2015/16 into 2016/17 to meet these final purchase costs.
55. The Play Areas Growth programme received £200k from the 2013/14 investment programme to enhance four recreation grounds in the Borough. In conjunction with the Play, Open Space and Pitch Strategy £100k of this allocation has been committed in 2015/16 with the remainder to be spent in 2016/17. A request is made to re-phase £100k of the budget from 2015/16 into 2016/17.
56. The total capital budget for the delivery of the CCTV programme in 2015/16 is £335k. The forecast expenditure for the purchase and installation of the cameras is £263k in 2015/16 and £71k for 2016/17. The programme is expected to be completed in October 2016 and so a request is made to re-phase £71k of the budget from 2015/16 into 2016/17.

Additions

57. Executive Cabinet is asked to approve the following additions to the capital budget
 - Create a £35k budget for fit out works to 24-26 Gillibrand Street so that the property can be leased to a medical practice from September 2015 to September 2017. Approval for the new lease was made in an October Executive Member decision report. This will be funded by charges to the lessee over the length of the lease.
 - An additional £26k is required in 2016/17 for the stamp duty and land tax relating to the purchase of the land and building in Buckshaw for the provision of a community centre. These taxes were not included in the original estimates.
 - Create a £300k budget for the first tranche of capital expenditure relating to the extension of market walk. This figure relates to the estimated £175k purchase of Apex House to be used for additional car parking as well as £125k planning fees and planning advice for the new build previously charged to the market walk account.

Deletion

58. Executive Cabinet is asked to approve the following deletion from the capital budget:
 - Deletion of the £115k budget for the Bengal Street depot for demolition works and works relating to splitting the site. The site will no longer be split because the contract with the vendor approached to lease part of the depot is no longer going ahead.

Transfer from Revenue

59. Executive Cabinet is asked to approve the following transfers from the revenue budget to the capital budget to better reflect delivery:
 - £34,300 surplus revenue budget from the building's maintenance fund to fund additional works identified in September for Clayton Brook Village Hall extension.

Capital Financing

60. 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 2015/16. 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 2015

Fund	Quarter 1 2015/16 £'000	Quarter 2 2015/16 £'000	Variance 2015/16 £'000
External Contributions	2,191	1,238	(953)
Grants	500	449	(51)
New Homes Bonus	637	637	0
Earmarked Reserves	1,863	1,942	79
Revenue	9	94	85
Capital Receipts	676	435	(241)
Borrowing	4,334	1,707	(2,627)
Capital Financing 2015/16	10,210	6,502	(3,708)

61. There has been a £2.627m fall in borrowing required in 2015/16 due to the re-phasing of the works for the Youth Zone and Health Centre into 2016/17. The fall in external contributions is largely the result of the re-phasing of the Section 106 funded Buckshaw Village Station and Buckshaw Community Centre projects

IMPLICATIONS OF REPORT

62. 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

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

COMMENTS OF THE MONITORING OFFICER

64. 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/James Thomson	5488/5025	26/10/15	Revenue and Capital Budget Monitoring 2015-16 Report 2