

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	18 February 2016

## **REVENUE AND CAPITAL BUDGET MONITORING 2015/16 REPORT 3 (END OF DECEMBER 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 budget virement of £30,000 from the budget provision for Business Start-up loans to finance the forecast take-up of Business Investment for Growth (BIG) grants.
5. 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 43 to 47.

### **EXECUTIVE SUMMARY OF REPORT**

6. The projected revenue outturn currently shows a forecast underspend of £401k against budget (after deducting the use of in-year savings previously approved at Executive Cabinet).
7. 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.
8. In the 2015/16 budget the expected net income from Market Walk after deducting financing costs is £0.965m. The latest projection shows that the forecast outturn is £1.123m, the surplus being driven by lower than budgeted financing costs.
9. The forecast of capital expenditure in 2015/16 is £5.415m.
10. The Council set a savings target of £150k in 2015/16 from the management of the establishment. As previously reported, the full savings target for 2015/16 has been achieved.
11. 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 December indicates that

the General Fund balance will be £2.741m by the end of the financial year.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
--	-----	-----------

<b>Key Decision?</b> Please bold as appropriate	<b>Yes</b>	No
<b>Reason</b> Please bold as appropriate	<b>1, a change in service provision that impacts upon the service revenue budget by £100,000 or more</b>	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)

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

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

13. None.

### CORPORATE PRIORITIES

14. 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

15. The latest revenue budget is £16.373m. This has been amended to include approved slippage from 2014/15 and any transfers to/from reserves.

16. 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.

17. The Council's approved revenue budget for 2015/16 included target savings of £150,000 from the management of the staffing establishment.

18. The following recommendations were made in the September monitoring report:

- Use of £75,000 surplus generated from Market Walk to invest in the Retail Grants Programme.

- Use of £25,000 from the budget provision for Chorley Youth Zone to finance the Chorley Grand Prix cycling event in March 2016.
- Set aside of £70,000 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.

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 latest forecast of capital expenditure in 2015/16 is £5.415m. The latest capital forecast is detailed 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

21. The projected outturn shown in Appendix 1 forecasts an underspend of £401,000. 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
<b>Expenditure:</b>		
Staffing costs	(107)	
Elections (combined elections 2015)	(35)	
Computer Equipment/Software	(38)	
Core Funding Grants	(26)	
Gillibrand St Offices – fitting out costs	<u>70</u>	
		(136)
<b>Income:</b>		
Planning Fee Income	50	
Fraud & Error Reduction Incentive Scheme Grant	<u>(6)</u>	
		44
<b>Other:</b>		
Market Walk	(6)	
Other minor variances	<u>(20)</u>	
		(26)
<b>Net Movement</b>		<b>(118)</b>

22. The forecast saving of £107,000 on staffing costs shown in the table above are predominantly from the Chief Executive's Office and Public Protection, Streetscene & Community. These additional staffing savings are mainly as a result of vacant posts, some of which remain vacant in anticipation of the new management structure that will be introduced following the 2016/17 budget review.

23. In 2015, combined Borough and Parliamentary Elections were held with the costs of the Parliamentary Election being reimbursed to the Council by the Cabinet Office. With the elections being combined, a significant proportion of the costs were shared and as a result, a revenue budget saving is anticipated for 2015/16. The final claim for reimbursement of Parliamentary costs has now been agreed and the forecast saving for 2015/16 is around £35,000.
24. Further savings of around £38,000 are anticipated for Computer Equipment/Software in 2015/16, of which £12,500 is a result of savings achieved following commercial discussions on the Council's regulatory services software contract with IDOX Ltd. 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.

The 2015/16 budget also included a provision of £45,000 for consolidation of existing Microsoft Licences under a new contract with Softcat Limited and to cover any costs in relation to the increase in the number of licences anticipated throughout the year. The actual costs for 2015/16 are around £18k realising a further one-off saving of around £27k. Further costs are expected in 2016/17 following the roll-out of Microsoft products but these should be maintained within the existing ICT budget resources.

25. Following a review of the Core Funding process in December 2013 the budget for Core Funding Grants from 2014/15 onwards has been allocated on a commissioning model, with around 85% allocated to specific service areas and 15% for both an annual commission and small community funding allocation for smaller groups. This allowed for some flexibility within the budget to supplement the main contracts if required and to set aside a portion of the budget for new or emerging needs.

At the end of 2014/15, this additional provision was not utilised and this contributed to a budget underspend of around £19k which was carried forward as slippage for potential use in 2015/16. It is now unlikely that either this sum or the full amount set aside in the 2015/16 budget for emerging needs will be required, resulting in a forecast underspend of around £26k in total for the end of the year.

26. Members will be aware of the recent agreement made with Cunliffe Medical Practice for the lease of the former Council Offices at 26 Gillibrand Street. As part of the terms of the lease, the Council agreed to carry out various works to fit out the premises with the costs to be initially borne by the Council and then recovered over the term of the lease. The cost of the works is estimated to be around £70,000 which will be incurred in the current year, with the costs being recovered as part of the rental agreement over the term of the 3 year lease to November 2018.
27. One area where forecast income levels have fallen in recent months is for Planning Application fees. Income received for the third quarter is lower than budgeted levels for 2015/16 and in addition, some of the large planning applications that were anticipated to be realised in quarter four are now expected to be received in the next financial year. This has resulted in a revised income forecast of around £550,000 for the year, £100,000 below budget. It should be noted however that income from planning fees can fluctuate greatly from month to month and the forecast position could still improve by the end of the year.
28. 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 finalised with Veolia how and when this repayment will be made but it is anticipated that a payment of £150k will be made in 2015/16 followed by further payments of £50k per annum for the years 2016/17 to 2018/19.
29. The Council is currently incurring expenditure relating to the recent floods experienced around the borough over the Christmas period. The Department for Communities and

Local Government has recently announced that the Council's liability for these costs will be limited to £24,190 and any costs above this level will be reimbursed by the Government. There is no specific budget set aside for such costs and as a result the liability will need to be met from general balances.

30. The 2014/15 revenue budget included new investment of £44,000 for the Business Start-up Support Scheme which aims to deliver a more sustainable support mechanism for local businesses by providing small repayable loans via the Credit Union. The Council pays a small administration fee to the Credit Union for each loan issued and is also liable for any non-repayment of loans. There have been relatively few loan repayments throughout the course of 2014/15 and 2015/16 and although further costs are anticipated, it is assumed that at least £30,000 will be available from this budget. A recommendation is made to use this available resource to provide top-up funding to the Business Investment for Growth (BIG) grants programme. Demand continues to be high in this area and the majority of the original funding is already committed with a balance remaining of just over £4,000. The £30k would provide additional short term cover to meet demand for the remainder of the current financial year.

## MARKET WALK

31. The budgeted net rental income from Market Walk after taking account of financing costs in 2015/16 is £0.965m. The latest forecast shows a saving of £0.157m and is detailed in Table 2 below. From this saving, a sum of £72k has been transferred to the Council's Change Management Reserve to finance some of the one-off redundancy and pension strain costs arising from the Management Structure Review as reported to Council on 19 January 2016.

**Table 2: Market Walk Income Forecast (December 2015)**

	2015/16 Budget £	2015/16 Forecast £	2015/16 Variance £
<b>Income Budget</b>			
Gross Income	(1,893,790)	(1,863,380)	30,410
<b>Expenditure Budget</b>			
Operational costs (excluding financing)	144,950	132,849	(12,101)
	(1,748,840)	(1,730,531)	18,309
<b>Commitments</b>			
Market Walk Extension costs	26,780	0	(26,780)
Net Income before Financing Costs	(1,722,060)	(1,730,531)	(8,471)
Financing Costs within Net Financing	756,880	607,800	(149,080)
Net Income after Financing Costs	(965,180)	(1,122,731)	(157,551)
<b>Transfers to/(from) reserves</b>			
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	(891,960)	(1,049,511)	(157,551)

32. The 2015/16 income forecast has fallen by £9k since September this is due to lower than forecast concession and advertising income on market walk.
33. The 2015/16 operational costs forecast have remained at £132k however a £15k budget for the Christmas tree has been vired to the market walk budget leading to an increased underspend of £15k. The forecast includes £12k additional fees for special advice relating to tenant mix and future developments and £6k for valuations that are 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.
34. 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.
35. The original 2015/16 budget included capital expenditure costs of £101,780 in respect of the Market Walk extension, these costs will now be charged to the market walk extension budget. The funds for these costs were to be vired from the Market Walk Reserve, £75,000 has instead been allocated to the extension of the Retail Grants Programme. The remaining £26k is assumed as unspent budget in the accounts.
36. 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

37. 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 December shows that the General Fund closing balance could be around £2.741m as detailed in the table below.

**Table 3 – Movement in General Fund Balance**

<b>General Balances</b>	<b>£m</b>
Opening Balance 2015/16	2.288
Budgeted contribution to General Balances	0.350
Forecast revenue budget underspend	0.401
Veolia waste contract repayment	(0.150)
Flood related expenditure	(0.024)
Management Structure Review	(0.124)
<b>Forecast General Fund Balance 2015/16</b>	<b>2.741</b>

38. The recent Management Structure Review, reported to Council in January, outlined the one-off redundancy and pension strain costs to be financed from reserves. The final costs have now been determined at £620k with funding of around £496k currently available from the Change Management Reserve and other uncommitted reserves. Current accounting regulations stipulate that these one-off costs should be charged to the financial year in which the decision is made so the full £620k will be charged to 2015/16. This leaves a shortfall in the available funding of around £124k and this additional requirement will be met from in-year underspends in 2015/16.
39. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2015/16.

## SECTION B: CURRENT FORECAST POSITION – CAPITAL

40. Table 4 summarises:
- Capital budget (1) – the capital budget agreed by Special Council in March 2015 taking into account amendments reported to the Executive in June and September.
  - 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	6,502	5,415	(1,087)
16/17	8,224	21,900	13,676
17/18	2,149	2,149	0
<b>Total</b>	<b>16,875</b>	<b>29,464</b>	<b>12,589</b>

41. Capital expenditure and commitments raised as at 31st December 2015 were £2.716m. This represents 50% delivery against the latest forecast of £5.415m for 2015/16. Further details can be found in Appendix 4.
42. Market Walk Extension Update

The Market Walk extension budget approved in September Full Council was £12.9m. Since September more detailed plans for the extension have been developed and costed. A comparison of the original budget and current budget is provided below:

Development	Approved Budget £m	Forecast £m	Variance
Total Development Costs	7.644	7.322	(0.322)
Total Public Realm Costs	2.874	2.874	0
Total Other Costs	2.344	2.666	0.322
<b>Total Costs</b>	<b>12.862</b>	<b>12.862</b>	<b>0</b>

The forecast project expenditure remains within the approved budget. The reduction in the development costs is due to revised specifications including the removal of the plan to demolish the Union Street offices. The revised forecast for other costs is due to lower than forecast professional fees and the inclusion of enabling expenditure such as the purchase of the Stagecoach site.

Once details of new lettings are agreed the main build contract will be drawn up into a fixed price contract based on detailed costings and timings of the extension project.

## **Amendments**

### *Phasing*

43. Council is asked to approve the following changes to the phasing of the budget between financial years:

- That the £1m Market Street Redevelopment budget be re-phased from 15/16 into 16/17. Forecast expenditure against this budget relates to the Town Centre Public Realm works. Some of these works have now been costed including £125k costs of works to Fazarkerley St. These and future works will be carried out in 2016/17 onwards and so the budget is requested to be re-phased into 2016/17.
- Works to the access roads at Ranglett's Recreation Ground will not begin until early 2016/17. It is requested that £20k of 2015/16 budget, funded through Section 106 receipts, be re-phased into 2016/17 to meet these costs. This is in addition to the £50k re-phased in quarter 2 leaving a £70k budget in 2016/17.
- 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 budget has been committed to be spent in 2016/17. A request is made to re-phase the remaining £100k budget from 2015/16 into 2016/17 as the works to Tatton and Coronation Recreation Grounds will not begin until the new financial year. The budget also includes £9k of S106 funding that needs to be re-phased into 16/17.
- The Astley Hall budget for 15/16 is £676k and the forecast expenditure is £356k. It is requested that the £320k difference is re-phased to 16/17. This budget will fund £175k expenditure on events parking and £145k expenditure on Astley Hall including £100k match funding for a grant bid to the Heritage Lottery Fund.
- The works to Big Wood Reservoir are included in the 15/16 budget at £11k, to be funded from capital contributions already received. The total budget includes two further S106 contributions of £37k each. One of these receipts has still not been received and as such the project will not commence in 15/16. The remaining £37k receipt is being pursued and is expected to be received in 16/17. It is requested that the £11k budget is re-phased into 16/17 to create a £87k project budget to be delivered in 16/17.
- Play recreation projects were originally budgeted at £222k in 15/16 and are 100% S106 funded. The forecast for 15/16 is now £80k including works to Amber Drive, Abbey Village, Knowley Brow and Unions St recreation grounds. All of these projects are S106 funded. It is requested that £142k budget is re-profiled into 16/17 to fund projects with budgets that have been identified but whose S106 funding has not been fully identified or received.

### *Additions*

44. Council is asked to approve the following additions to the capital budget



- The Market Walk extension budget approved in September Full Council was £12.9m. It is requested that the full £12.9m budget is added to the capital programme split £784k in 2015/16 & the remaining £12.077m in 2016/17.

In the September budget monitoring report £300k budget was requested for the first tranche of capital expenditure relating to the extension of market walk including the purchase of Apex House and £100k of professional fees. An additional £480k is requested in the 2015/16 Market Walk extension budget for the purchase of the Stagecoach depot. This will bring the total market walk extension budget in 2015/16 to £784k. As per the analysis in paragraph 42 this budget forms part of the overall £12.9m Market Walk extension budget.

#### *Deletion*

45. Council is asked to approve the following deletion from the capital budget:

- Deletion of the £35k budget for fit out works to 24-26 Gillibrand Street for the lease of the property to the Medical Practice. As per paragraph 26 of this report, the total value of these works is £70k and will be charged to the revenue budget.

#### *Transfer from Revenue*

46. Council is asked to approve the following transfers from the revenue budget to the capital budget to better reflect delivery:

- It is requested that £20k budget for charges to residents for the replacement of bins is transferred to the capital programme to fund the purchase of these bins. This transfer has been assumed in the revenue monitoring outturn. This will increase the capital budget from £85k to £105k and match the forecast expenditure in 15/16.
- The Disabled Facilities capital budget relates to adaptations to private and Housing Association properties. The total forecast expenditure for 15/16 is £417k of which £369k is funded from the Disabled Facilities Grant. It is requested that the balance of £47k is funded by private and housing association contributions that are currently coded to the revenue budget.

47. The final recommendation with regards to the capital programme is:

- Council is asked to approve a £12k virement from the Leisure Centre Improvement budget to the Recycling Receptacles budget. This budget had been identified for possible maintenance works that are no longer required. The budget will be used to meet the high demand for recycling receptacles in 2015/16 that is due to the large increase in new homes built this year.

#### *Capital Financing*

48. 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 31<sup>st</sup> December 2015**

Fund	Quarter 1 2015/16 £'000	Quarter 2 2015/16 £'000	Quarter 3 2015/16 £'000	Variance Qtr 2 to Qtr 3 £'000
External Contributions	2,190	1,238	922	(316)
Grants	500	449	456	7
New Homes Bonus	637	637	322	(315)
Earmarked Reserves	1,862	1,942	842	(1,100)
Revenue	9	94	114	20
Capital Receipts	676	435	501	66
Borrowing	4,333	1,707	2,257	550
<b>Capital Financing 2015/16</b>	<b>10,210</b>	<b>6,502</b>	<b>5,415</b>	<b>(1,087)</b>

- The fall in earmarked reserves relates to the re-profiling of £1m public realm budget into 16/17 as described in paragraph 43. These funds will therefore be utilised in 2016/17.
- The fall in the use of New Homes Bonus funding is the result of the re-profiling of the works to Astley Hall into 16/17 as described in paragraph 43. These funds will therefore be utilised in 2016/17.
- There has been an increase in forecast borrowing required in 2015/16 when compared to quarter 2. This is due to the inclusion of Apex House and Stagecoach Depot purchases. These budgets for borrowing are managed within the £9.2m financing budget approved in the Market Walk extension report sent to September Full Council.

## IMPLICATIONS OF REPORT

49. 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

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

## COMMENTS OF THE MONITORING OFFICER

51. The Monitoring Officer has no comments.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Dave Bond/James Thomson	5488/5025	28/01/16	Revenue and Capital Budget Monitoring 2015-16 Report 3