

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	25 August 2016

REVENUE AND CAPITAL BUDGET MONITORING 2016/17 REPORT 1 (END OF JUNE 2016)

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 2016/17.

RECOMMENDATION(S)

2. Note the full year forecast position for the 2016/17 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Executive Cabinet approve the use of £67,000 from in-year revenue underspends to invest in the Retail Grants Programme.
5. Request Executive Cabinet approve the use of £15,000 revenue savings against the Meals on Wheels budget to contribute towards the additional Christmas Lighting costs in 2016 and make this a permanent budget virement for future years.
6. Request Executive Cabinet approve the use of £25,000 from in-year revenue underspends to finance the review that will be undertaken to identify empty homes brought back into use and increase the subsequent increase in the New Homes Bonus grant.
7. Note the changes to the Capital Programme to reflect delivery in 2016/17.

EXECUTIVE SUMMARY OF REPORT

8. The projected revenue outturn currently shows a forecast underspend of £245,000 against budget. No action is required at this stage in the year.
9. The latest forecast excludes any variation to projected expenditure on investment items added to the budget in 2016/17. These projects are forecast to fully expend in 2016/17 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 2016/17 budget the expected net income from Market Walk after deducting financing costs is £0.942m. The latest projection shows that the forecast outturn is £1.002m.
11. The forecast of capital expenditure in 2016/17 is £14.006m.
12. The Council is expected to make overall target savings of £150k in 2016/17 from management of the establishment. Savings of £100k have already been achieved for the

year, with the remaining balance expected to be achieved over the coming months.

13. The Council's Medium Term Financial Strategy proposed that working balances are to reach £4.0m over the 3 year lifespan of the MTFs to 2018/19 due to the financial risks facing the Council. A budgeted contribution into General Balances of £500k is contained within the new investment package for 2016/17. The current forecast to the end of June shows that the General Fund balance could be around £3.430m by the end of the financial year. Should the recommendations in this report be approved, the forecast balance would reduce to £3.363m and be on target to achieve £4.0m by 2018/19.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

15. None.

CORPORATE PRIORITIES

16. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	√
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	√

Ensuring cash targets are met maintains the Council's financial standing.

BACKGROUND

17. The latest net revenue budget is £18.261m. This has been amended to include approved slippage from 2015/16 and any transfers from reserves. The significant additions to the budget include:
 - £141,290 slippage items from 2015/16.
 - £907,830 balance of investment budgets carried forward from 2015/16.
 - £150,000 use of Change Management Reserve to finance redundancy costs incurred in 2016/17.
 - £227,070 Transformation Challenge Award funding from reserves.
 - £692,240 Reverse assignment income for Royal Oak Public House from reserves. This will be moved into an earmarked reserve and used to secure control of the site identified in the Chorley Town Centre Masterplan as a new civic quarter.
 - £80,000 use of ICT contracts reserve.
 - £65,770 Apprenticeship funding from reserves.
 - £66,710 balance from the Neighbourhood pump priming budget.
18. A full schedule of the investment budgets carried forward from 2015/16 and the new (non-recurrent) investment budgets introduced in the 2016/17 budget are shown in Appendix 2 together with expenditure to date against these projects (for capital items see Appendix 4).
19. The Council's approved revenue budget for 2016/17 included target savings of £150,000 from management of the staffing establishment.
20. Following the recommendations made in the 2015/16 Provisional Revenue and Capital Outturn Report approved by July Council that £150,000 from 2015/16 in-year revenue underspends be set aside to fund additional one-off costs arising from the new Management Structure Review. The report also recommended the transfer of £50,000 from in-year revenue underspends to the Buildings Maintenance Fund to finance asset improvements in 2016/17.
21. Set out in Appendix 1 is the provisional outturn position for the Council based upon actual spend in the first three 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 2016/17 is £14.006m. The latest capital forecast is detailed in Appendix 4 based upon actual and committed expenditure during the first three 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 compared to budget of around £245,000. The significant variances from the cash budget are shown in the table 1 below.

ANALYSIS OF MOVEMENTS

Table 1 – Forecasted Significant Variations from the Cash Budget

Note: Overspends/shortfalls in income are shown as ().

	£'000	£'000
Expenditure:		
Staffing costs	187	
Redundancy costs	(141)	
Review of empty homes and New Homes Bonus	(25)	
Meals on Wheels Service	15	
Christmas Lighting & electrical infrastructure	(22)	
Chorley Youth Zone	45	
Computer Equipment/Software	13	
Waste Contract	<u>12</u>	
		84
Income:		
Local Council Tax Support Admin Subsidy Grant	21	
Housing Benefit related grants	44	
Supporting People Income	24	
Individual Electoral Registration grants	20	
Market Walk Surplus Income	<u>60</u>	
		169
Other:		
Housing Benefits	(9)	
Other minor variances	<u>1</u>	
		(8)
Net Movement		245

Expenditure

24. The forecast saving of £187,000 on staffing costs shown in table 1 is in addition to the contribution of £100,000 already made to meet the corporate savings target for 2016/17. The total savings of £287k achieved to date are a result of vacant posts, many of which are a direct result of the recent Senior Management Review. The forecast variations profiled above make assumptions regarding the start dates of staff to vacant posts, these assumptions are monitored on a monthly basis.
25. As detailed in the 2015/16 Revenue Outturn report presented in June, a consequence of the Senior Management Review was additional one-off redundancy costs that have been incurred following recruitment to the second and third tier of management. The total cost in 2016/17 is £291k. A sum of £150k from 2015/16 revenue savings has already been approved to offset these costs, the remaining costs of £141k can be covered by in-year staffing savings detailed in the paragraph above. No further use of reserves is anticipated in meeting the costs of staffing restructures in 2016/17.
26. Earlier this year, the Director of Customer & Digital Services presented an update to Strategy Group on the success of the Empty Homes Review Service 2015, developed and packaged by Capacity Grid, and made recommendations that a further review should be

approved for 2016. The review aims to maximise the amount of New Homes Bonus (NHB) available to the Council by identifying long term empty properties that have been brought back into use, therefore increasing the number of properties eligible for NHB. The results of the 2015 review indicate projected NHB funding of around £88k per annum as a direct result of the review. In December 2015, the DCLG announced proposals that 2016 would be the final year when the award period is set at 6 years with suggested stepped reductions effective from 2017. It is recommended that Council approve the use of £25,000 from in-year revenue underspends to finance the review for 2016 to maximise potential NHB funding before the adverse changes are introduced in 2017.

27. In 2014/15 the Council introduced a new mainstream investment budget of £30k for the Meals on Wheels service to deliver hot meals to older vulnerable people. Take up of the service has been lower than budgeted in the first 2 years of the scheme, with expenditure of around £6k in 2014/15, increasing to around £11k in the second year. The provider is undertaking additional marketing and promotion to raise awareness and increase demand for the service, however it is unlikely that the full budget of £30k will be required for 2016/17. Even with an assumed increase in take up of the service the current forecast for 2016/17 is £15k. A saving of around £15k is therefore forecast at this stage of the year.
28. One area that requires additional funding in 2016/17 is the Christmas lighting requirements for the town centre. Prices have recently been obtained from Blackpool Illuminations for this year's lighting displays at a cost of £27k. It is also proposed that the small shop front Christmas trees are again installed as they were last year at a cost of around £12k. There is currently a budget provision of £25k in 2016/17 and if the proposals are approved, additional funding of £14k will be required. In addition to this, there will be one-off costs of around £8k in 2016/17 as a result of an electrical infrastructure upgrade that is required to the town centre power supply points, increasing the funding requirement to £22k. The town centre lights are a premium display that attracts visitors to the town centre during the Christmas period. It is recommended that Council approve the use of the £15k forecast underspend on the Meals on Wheels service, outlined in paragraph 27, to contribute towards this additional funding requirement in 2016/17, and this is made a permanent budget virement for future years.
29. For 2016/17 the Council's budget included a provision of £50k in relation to running costs for the new Chorley Youth Zone, together with £25k budget carried forward from 2015/16 in an earmarked reserve, giving a total budget of £75k. As this scheme will not go live until 2017/18 the majority of this funding will not be required. The forecast expenditure to date consists of a contribution of £30k towards the revenue costs incurred before the Youth Zone opens including raising awareness of the new site. As a result, the current forecast is an underspend of £45k in 2016/17. The revenue costs for future years will be profiled and included in the Council's budget setting process for 2017/18 to 2019/20, the full year annual budget contribution from Chorley will be £100k.
30. In 2015/16 the Council set aside a sum of £100k from in-year revenue underspends to fund one-off capital payments to secure recurrent revenue savings on ICT contracts, two of which were due to be re-negotiated with IDOX and Capita Business Services. Recurrent savings of around £30k had already been negotiated on these contracts at the time of setting the Council's budget in March and these savings are included in the 2016/17 base budget. I am pleased to report that final negotiations on the Capita contract achieved a further reduction in the contract price of around £13k per annum, generating a saving for 2016/17 and each year of the five year contract.
31. The Council's annual waste collection contract with Veolia is subject to inflationary increases in charges with effect from April each year, using the measure for RPIX in March. The actual March RPIX figure at 1.6% was lower than expected the 2% provision included in the budget for 2016/17 and this has generated a saving on the contract costs of around £12,000 for the current year.

Income

32. The Council's revenue budget for 2016/17 included the receipt of an estimated £409k in government grants in the form of Housing Benefit and Localised Council Tax Support Admin Subsidy Grants from the DWP and DCLG respectively. The amount of Housing Benefit Admin grant to be awarded was announced in December and the figure built into the 2016/17 budget. However the award for Council Tax Support Admin grant had still not been announced and as a result the budget was based on an estimated allocation taking into account the grant awards made in previous years. The grant award was finally announced in March and I am pleased to report that the actual grant for 2016/17 is around £21k higher than anticipated when setting the budget.
33. The Council has also been awarded a number of additional benefits related grants from the DWP, which have been announced since the setting of the Council's budget in March. A grant of £19,353 has been awarded for the costs of implementing Welfare Reform changes in 2016/17, and £13,919 in respect of implementation of the 2016 benefit cap changes. Together with other minor new burdens grants awarded in the first quarter, this has resulted in additional income for the Council of around £44,000 in 2016/17.
34. At the time of setting the Council's budget for 2016/17 there was a level of uncertainty regarding the continued funding to be provided by Lancashire County Council for support to Cotswold House in the form of Supporting People income. Consequently, the budgeted income level was reduced for 2016/17 in anticipation of a potential reduction in funding. I am pleased to report that funding has since been agreed at a similar level to 2015/16 and is available to the end of March 2017. As a result, the Council should receive additional income of around £24k compared to the budget for 2016/17. This funding will cease in 2017/18 leaving a budget shortfall to be addressed as part of the 2017/18 budget setting process.
35. In recent years the Council has received funding from the Cabinet Office in the form of section 31 grants to contribute to the additional costs of transferring to Individual Electoral Registration (IER). It was anticipated that the last year of funding would be 2015/16 as the deadline for IER was set at December 2015. Following feedback received from local authorities on the continuing burden of IER, the Cabinet Office has recently announced that funding will now be available for 2016/17 and that the Council will receive an initial grant of £17,465. A further grant of £2,889 has also been awarded as a result of the extension to the IER deadline in 2016.

Budget Requests from Underspends

36. The Council's budget for 2016/17 included additional investment of £80k to continue the successful Retail Grants Programme. The Retail Grants Programme over the last four years has created new jobs, contributed to the low vacancy rates in Chorley town centre, and improved the visual appearance of numerous retail properties across the borough. The programme continues to play a key role in the Council's grants portfolio and this is evidenced by the very high continued demand for the programme's grant support. Due to this very high demand the majority of the funding has already been committed with a balance of only £27k currently remaining. Against this balance, a further five grant applications have been received totalling £19k and should these be approved, the remaining funding available would reduce to just £8k. There are also around 25 further applications in the pipeline and the funding required for these is estimated to be in the region of £75k. As a result, it is recommended that the Council approve the set-aside of in-year revenue underspends to meet this estimated additional funding requirement of £67k.

MARKET WALK

37. The budgeted net rental income from Market Walk after taking account of financing costs in 2016/17 is £0.942m. The latest forecast indicates a surplus of £0.060m and is detailed in the table below.

Table 2: Market Walk Income Forecast (June 2016)

	2016/17 Budget	2016/17 Forecast	2016/17 Variance
Rental & Insurance Income	1,724,100	1,784,100	60,000
Operational Costs (excluding financing)	152,950	152,950	0
Net Income (excluding financing)	1,571,150	1,631,150	60,000
Financing Costs	628,830	628,830	0
Net Income (including financing)	942,320	1,002,320	60,000
Income Equalisation Reserve (Annual Contribution)	50,000	50,000	0
Asset Management Reserve (Market Walk)	50,000	50,000	0
Net Income	842,320	902,320	60,000

38. The surplus income of £60k is due to a prudent income budget being set during the 2016/17 budget setting process. At the time there were a number of tenants whose rental agreements were being renegotiated and as such the income levels were uncertain. The results of these renegotiations have not resulted in the anticipated loss of income and therefore a surplus is forecast.
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. The forecast balances at the end of 2016/17 after the in-year contributions are £250k (income equalisation) and £136k (asset management reserve).

GENERAL FUND RESOURCES AND BALANCES

40. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £2.685m. The approved MTFS proposes that working balances are to reach £4.0m over the 3 year lifespan of the MTFS to 2018/19 given the budgetary challenges facing the Council. The current forecast to the end of June shows that the initial General Fund closing balance could be around £3.430m. Should the recommendations in this report be approved, the forecast balance would reduce to £3.363m as detailed in table 3 below. Forecast General Balances would exceed the target to achieve £4.0m by 2018/19.

Table 3 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2016/17	2.685
Budgeted contribution to General Balances	0.500
Forecast revenue budget underspend	0.245
Initial General Fund Balance 2016/17	3.430
Funding for Retail Grants Programme	(0.067)
Forecast General Fund Closing Balance 2016/17	3.363
Budgeted contribution to General Fund 17/18	0.500
Budgeted contribution to General Fund 18/19	0.259
Forecast General Fund Closing Balance 2018/19	4.122

41. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2016/17.
42. The 2016/17 budget setting process set aside £603k of New Homes Bonus to create a reserve to fund investment projects that would earn revenue surpluses to the Council. To date £150k has been spent against this budget to develop the bid for £4m of European grant funding to construct a Digital Park. Further commitments relating to this project are forecast to be £70k including £25k procurement advice and further architectural and QS fees. Total commitments against this budget are therefore £220k leaving £383k remaining.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

43. Table 4 below summarises:
- Capital budget (1) – the capital budget agreed by Special Council in March 2016 including amendments as per the 2015/16 outturn report agreed by Council in July 2016
 - Capital budget (2) - the 3 year capital budget following adjustments and re-profiling as described below

Table 4: Profiling of the Capital Budget 2016/17 – 2018/19

Year	Capital Budget (1) £'000	Capital Budget (2) £'000	Changes £'000
2016/17	22,976	14,006	(8,970)
2017/18	11,643	22,106	10,463
2018/19	4,287	4,287	0
Total	38,906	40,399	1,493

44. An update on the Directorate's major capital projects are outlined below

45. There is £51k of committed expenditure relating to the purchase of **recycling receptacles**. The total budget of £115k is forecast to be fully committed in 2016/17
46. The S106 funded works at the **Puffin Crossing Collingwood Rd** have not been completed, the total budget of £47k is to be spent in 2016/17

Policy & Governance

47. The Council's capital contribution to **Chorley Youth Zone** is £918k made up of £800k contribution to the Chorley Youth Zone Trust (£150k of which was made in 2015/16) and £118k for the demolition of the current site. In 2016/17 LCC will contribute £1m to the project with the funds to be paid to CBC to then grant the funds to the trust. This additional £1m has been added to the capital programme.
48. The profile of future capital expenditure will be worked up in 2016/17 in the meantime it is assumed that half the Council's contribution will be made in 2016/17 and the remaining half in 2017/18. The contribution from CBC regarding the demolition costs are now forecast to be £55k. As such the forecast contribution from CBC is now as follows:

Expenditure	2016/17	2017/18	Total
Demolition (CBC Contribution)	55,000	0	55,000
Chorley Contribution	325,000	325,000	650,000
LCC Contribution via CBC	500,000	500,000	1,000,000
Total	880,000	825,000	1,705,000

49. The **Astley Hall and Park Development** budget is £711k and includes £100k match funding for a Heritage Lottery Fund bid for Astley Hall as well as events infrastructure and parking, tennis courts and the construction of a Victorian Glass House. All budgets are forecast to be fully spent in 2016/17.

Early Intervention

50. The budget for the **Disabled Facility Grants** programme was set before the 2016/17 allocation was announced by LCC. The original budget of £414k consisted of an estimated £369k grant with the remaining £55k coming from contributions from registered providers (RP) and what remained of a regional housing programme grant. The 2016/17 allocation from LCC is £614k. LCC have not elaborated on any additional expectations or conditions that they expect Districts to fulfil with the extra DFG funds nor have they agreed or denied that any unspent grant at year end will be clawed back from LCC. The target for DFG delivery is £425k to be funded by the grant and any RP contributions. It is recommended that this budget is increased by £11k to match this target. Further clarification will be sought as to the requirements of the grant and whether any uncommitted grant can be carried forward into future years.
51. The extension and final refurbishment of **Cotswolds House** is due to commence and complete in 2016/17. The total budget is £858,000 funded by a £658k HCA grant and £200k contribution from CBC. Planning permission has been granted with the contract for works currently out to tender. Works are scheduled to start on site in October 2016 with completion scheduled for January 2017.

Regeneration & Inward Investment

52. The total approved budget for **Market Walk Extension** is £12.862m of which £613k was spent in 2015/16 leaving a remaining budget of £12.249m. Costs relating to the construction of the extension are currently being estimated and subject to Council approval in September 2016, works are scheduled to begin in January 2017 and complete in March 2018. Some enabling works will be carried out in 2016/17 including the purchase of Apex House and works to Fazarkerley St. It is proposed at this point that the budget is re-profiled £3m 2016/17 and £9.249m 17/18 to better reflect the profile of expenditure.
53. Expenditure to date for **Chorley Public Realm** relates to the creation of detailed designs including the phasing of the works. As of yet there is no update on expenditure relating to works in 2016/17 and so the budget of £1m will remain in 2016/17.
54. There is currently no commitment to spend the £726k S106 agreement relating to **Buckshaw Village Rail Station** resultantly the budget will be re-profiled into 2017/18.
55. The **Play, Recreation and Open Space** projects involve a number of different sites:

Project	Current Budget 2016/17
Abbey Village (carry forward 15/16)	21,500
Union St, Whittle-le-woods (carry forward 15/16)	3,684
Knowley Brow (carry forward 15/16)	13,267
Buttermere	33,500
Harpers Lane Rec, Chorley	50,000
Gough Lane, Clayton Brook	15,200
Coronation Recreation Ground	265,700
Tatton Recreation Ground	162,200
Wymott Park Playground, Ulnes Walton	17,100
Grafton St, Adlington	34,400
Osborne Drive Play Area	49,200
Tansley Aveue, Coppull	40,638
Mossie Close, Charnock	42,700
Station Rd, Croston	22,900
Drapers Ave/Langton Close, Eccleston	27,000
Approved budget 2016/17	798,989
King George V Play & Pitches (brought forward 17/18)	13,000
Adjusted budget 2016/17	811,989

56. Works to **King George V Play & Pitches** were due to commence in 2017/18 however preliminary site investigation is being undertaken in order to scope the extent of the drainage required to further the project. As such £13k of £440k approved budget has been re-profiled from 2017/18 into 2016/17. In addition the bid for £100k from Sport England for works to **Tatton Recreation Ground** was not successful, as such the budget has been reduced to reflect this reduction in funding. This will result in a delay in the installation of a running track; further S106 contributions are being identified to meet this budget requirement.

57. Planning permission was secured in June 2016 for the **Extra Care Facility**. The contractor is being procured under the LCC Strategic Partnership Framework Arrangement. The next steps are to secure full Council approval to proceed with the scheme in September and also complete the negotiations with St John to acquire a parcel of land. Start on site will be expected in early 2017 although and will be complete by no later than the end of March 2019 (HCA deadline) and could be much sooner as the build is anticipated to take 70 weeks.
58. Site investigation is currently underway as part of the **Westway Playing Fields Sports Campus** project. The results of the investigations will outline the scope of drainage works to be undertaken. Consultants have also been appointed to advise on events car parking and are undertaking ground investigation works relating to the car park.
59. As per the recommendations approved at Full Council on 19th July 2016, the £645k budget for the purchase of the site at the **Digital Office Park** will be added to the capital programme.

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 2016/17. This in line with budget and will be reviewed at year-end to best manage the Council's own resources.

Table 5: Forecast Capital Financing 2016/17

Fund	Quarter 1 2016/17 £'000
External Contributions	4,530
Grants	1,971
New Homes Bonus	400
Earmarked Reserves	1,968
Revenue	0
Capital Receipts	852
Borrowing	4,285
Capital Financing 2016/17	14,006

IMPLICATIONS OF REPORT

61. 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

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

COMMENTS OF THE MONITORING OFFICER

63. 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	28/07/16	Revenue and Capital Budget Monitoring 2016-17 Report 1