

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Executive Cabinet	15 November 2018

## **REVENUE AND CAPITAL BUDGET MONITORING 2018/19 REPORT 2 (END OF SEPTEMBER 2018)**

### **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 2018/19.

### **RECOMMENDATION(S)**

2. Note the full year forecast position for the 2018/19 revenue budget and capital investment programme.
3. Note the forecast position on the Council's reserves.
4. Request Executive Cabinet approval for the contribution of £50,000 from in-year revenue underspends to finance a procurement review of the Council's leisure contract.
5. Request Council note the capital programme to be delivered in 2018/19 to 2020/21.
6. Request Council approve the budget changes to the capital programme outlined in paragraph 44.

### **EXECUTIVE SUMMARY OF REPORT**

7. The projected revenue outturn currently shows a forecast underspend of £118,000 against budget. No action is required at this stage in the year.
8. The forecast excludes any variation to projected expenditure on investment items included in the budget in 2018/19. These projects are forecast to fully expend in 2018/19 and should there be any balances remaining at year end they will be transferred into specific reserves and matched to expenditure in future years.
9. In the 2018/19 budget the expected net income from Market Walk after deducting financing costs is £1.005m.
10. The forecast of capital expenditure in 2018/19 is £34.209m
11. The Council's budget for 2018/19 included a savings target of £200k from management of the staffing establishment. The full savings of £200k have already been achieved.
12. 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. As reported to Executive Cabinet in June, the target of £4m has been achieved as at 31 March 2018. Should the recommendations in this report be accepted, the forecast level of balances at 31 March 2019 will be around £4.068m. It should be noted however that there may be further call for the use of general balances throughout 2018/19.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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<b>Key Decision?</b> Please bold as appropriate	Yes	No
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<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)

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

14. None

## CORPORATE PRIORITIES

15. 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	✓

## BACKGROUND

16. The current net revenue budget for 2018/19 is £16.864m. This has been amended to include approved slippage from 2017/18 and any transfers to/from reserves.
17. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2018/19.
18. A full schedule of the investment budgets carried forward from 2017/18 and the new (non-recurrent) investment budgets introduced in the 2018/19 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 2018/19 included target savings of £200k from management of the staffing establishment. The full savings of £200k have been achieved for the year.

20. Following the recommendations made in the June 2018 budget monitoring report, in-year revenue underspends have been set aside to fund the following items:
- £200,000 to the Business Rates Retention Equalisation Reserve
  - £90,000 for the commissioning of a Highways and Transport Strategy
  - £10,000 to assess the need for additional schools in Chorley.
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 2018/19 is £34.209m. The latest capital forecast is detailed in Appendix 4 based upon actual 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 compared to budget of around £118,000. 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
<b>Expenditure:</b>		
Staffing Costs	<u>123</u>	123
<b>Income:</b>		
Electoral Registration Funding	15	
Sale of Replacement Bins	(29)	
Bulky Waste Collection	10	
Planning Application Income	(55)	
Integrated Home Improvement Service	20	
Hire of Community Centres	<u>15</u>	(24)
<b>Other:</b>		
Other minor variances	<u>12</u>	12
<b>Net Movement</b>		<b>111</b>
Quarter 1 Net Forecast Underspend		7
<b>Total Forecast Underspend at Quarter 2</b>		<b>118</b>

## *Expenditure*

24. The additional savings on staffing costs of £123,000 shown in table 1 above reflects the changes from the position reported to the end of June in the last monitoring report. The main changes are predominantly as a result of vacant posts, a number of which have remained vacant pending the introduction of new departmental structures.
25. The forecast variations profiled above make assumptions regarding the start dates of staff to vacant posts, these assumptions are monitored on a monthly basis. The main savings from quarter 2 are predominantly from the Customer and Digital directorate from ICT Services and Customer Transformation.

## *Income*

26. In previous 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 2017/18 would be the final year of funding but in July of this year the Cabinet Office announced a further allocation for 2018/19 and that the Council would receive a grant of £14,596.
27. The Council's income budget for the sale of refuse bins was increased for 2018/19 following the introduction of charges for replacement bins and the addition of grey bins for garden waste recycling. However, income levels have remained similar to 2017/18, largely due to difficulties in proving who is at fault for the loss or damage. As a result, the anticipated income for the year is forecast to be £29,000 lower than budgeted. It should be noted however that from 1<sup>st</sup> April 2019, in-cab technology will provide video evidence of the waste disposal process and help alleviate current issues around who should pay for the replacement bin.
28. The Council's charges for the removal of bulky waste items were increased for 2018/19 and it was envisaged that demand would likely reduce as a result. This has not proved to be the case and demand has slightly increased for this service for the year to date resulting in additional income of around £10,000 forecast for the year. The cost of providing this service is built into the Waste and Recycling contract with Veolia.
29. Previous planning income forecasts included £181k relating to the Botany Bay applications for reserved matters consent that are anticipated to be submitted following the grant of outline planning permission. This has been removed from 2018/19 income forecasts at the request of the Planning Services Manager who believes the applications are more likely to be received during 2019/20. In the last couple of months we have received a couple of major applications not relating to Botany amounting to £90k.
30. Planning Applications for the first six months are down on similar periods in previous years. Likely reasons being the Council's success in defending a decision to refuse planning permission for a housing development on Safeguarded Land has dissuaded land owners and house builders from submitting similar applications. In addition, at this stage in the Development Plan process the majority of housing sites are either under construction or already have the benefit of planning permission. The Development Plan is currently being reviewed. This has resulted in a revised income forecast of around £525,000 for the year, £135k below budget and £55k less than reported in June.
31. The Council had previously entered into a collaboration agreement with Lancashire County Council for the Integrated Home Improvement Service (IHIS). The arrangement provides a handyperson and mobility care service which first came into effect from 1 July 2015 and replaced the previous Supporting People funding. The initial IHIS contract expired on 31

March 2018 and therefore the Council's budgets for 2018/19 included the assumption that the funding from LCC would cease. However, LCC have since agreed to a 1 year extension to the funding arrangement to 31 March 2019 and this should result in surplus income of around £20,000 for the year.

32. Additional income is also forecast in 2018/19 from hire charges for the Council's community centres. Budgeted income from the 6 community centres was £61,000 for the current year, based on actual income for 2017/18 plus an inflationary increase in charges. Block booking invoices for hire of the centres are issued 6 months in advance and charges for October to March have recently been issued so the current income levels should be in line with the final outturn figures for 2018/19. Current income is around £76k giving a surplus of around £15k for the year. The majority of this has come from Lancaster Way Community Centre in Buckshaw Village which is now becoming more established as a local community venue.

#### *Requests from Underspends*

33. The current contract with Active Nation UK Ltd for managing the Council's leisure centres ends in 2020. Work was commissioned and undertaken around 12 months ago to broadly review the options available to the council in the future management of the council's leisure centres. Additional support is now required for the technical aspects of creating a procurement approach and specification, including undertaking a basic options appraisal and shadow bid and analysis and estimate of likely contract costs. It is proposed therefore that a sum of £50k is set aside from this year's revenue underspends to provide this external support.

## MARKET WALK

34. The budgeted net rental income from Market Walk after taking account of financing costs in 2018/19 is £1.005m.

**Table 2: Market Walk Expenditure/(Income) 2018/19**

	<b>2018/19 Budget £</b>	<b>2018/19 Outturn £</b>	<b>2018/19 Variance £</b>
Rental & Insurance Income	(1,774,100)	(1,743,853)	(30,247)
Operational Costs (excluding financing)	148,550	118,303	30,247
<b>Net Income (excluding financing)</b>	<b>(1,625,550)</b>	<b>(1,625,550)</b>	<b>0</b>
Financing Costs	619,730	619,730	0
<b>Net Income (including financing)</b>	<b>(1,005,820)</b>	<b>(1,005,820)</b>	<b>0</b>
Income Equalisation Reserve (Annual Contribution)	50,000	50,000	0
Asset Management Reserve (Market Walk)	50,000	50,000	0
<b>Net Income</b>	<b>(905,820)</b>	<b>(905,820)</b>	<b>0</b>

### *Income*

35. Income is expected to be £30k short of the budget in 2018/19 due to two units becoming vacant during the year and no assumed replacement tenants in 2018/19.

### *Expenditure*

36. The shortfall in income can be offset by expected underspends in the expenditure budgets, these include underutilised maintenance and professional fees budgets. The expenditure forecasts include the council's liabilities for NNDR and service charges on the vacant units.

### *Reserves*

37. The table below summarises that the expected balances at year end in the MW income equalisation and MW asset maintenance reserves are £350k and £49k respectively. There is no assumed use of the income equalisation reserve however the £24k committed in 2017/18 for the upgrading of the covered market lighting will be committed in 2018/19.
38. In order to meet demand for car parks whilst works are being carried out to create additional Town Centre parking approval was given to develop additional temporary parking provision on the Flat Iron car park in support of delivering the Market Walk Extension scheme. The additional temporary spaces will be split between short stay public spaces and long stay staff parking spaces for Market Walk tenants and will be funded through the Market Walk maintenance reserve at a cost of approximately £124k.

## Summary of Market Walk Reserves

	<b>Income Equalisation £</b>	<b>Asset Maintenance Market Walk £</b>
<b>Opening Balance 2018/19</b>	<b>300,366</b>	<b>146,970</b>
2018/19 contribution to reserves	50,000	50,000
Upgrading of covered market lighting		(24,000)
Use of reserve to fund works to Flat Iron Car Park		(124,000)
<b>Forecast Closing Balance 2018/19</b>	<b>350,366</b>	<b>48,970</b>

## GENERAL FUND RESOURCES AND BALANCES

39. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £4.000m. 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 September shows that the General Fund closing balance could be around £4.118m.
40. Should the recommendations in this report be accepted, the forecast level of balances at 31 March 2019 will be around £4.068m as detailed in table 3 below. It should be noted however that there may be further call for the use of general balances throughout 2018/19.

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

<b>General Balances</b>	<b>£m</b>
Opening Balance 2018/19	4.000
Forecast revenue budget underspend	0.118
<b>Initial General Fund Closing Balance 2018/19</b>	<b>4.118</b>
Procurement of leisure contract review	(0.050)
<b>Forecast General Fund Closing Balance 2018/19</b>	<b>4.068</b>

41. Appendix 3 provides further information about the specific earmarked reserves and provisions available for use throughout 2018/19.

## SECTION B: CURRENT FORECAST POSITION – CAPITAL

42. The approved capital budget as per the revenue and capital outturn report approved on 21 June 2018 is as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Approved Budget	34.020	4.441	1.096	<b>39.557</b>
Q1 Adjustment	0.101	(0.101)	0.000	<b>0.000</b>
Q2 Adjustment	0.087	0.983	2.606	<b>3.676</b>
<b>Revised Budget</b>	<b>34.209</b>	<b>5.323</b>	<b>3.702</b>	<b>43.233</b>

43. The quarter 2 budgets adjustments consist of removing the budgets for the purchase of refuse bins – as the council charges for bins these budgets are moved to a revenue cost centre. £72k is now included for the works to the Muslim Burial Shelter and is funded £20k from Chorley Council and £52k from the Chorley Muslim Trust. This was approved by a delegated Executive Member decision on 17<sup>th</sup> August 2018 as per the report to Executive Cabinet on 15<sup>th</sup> February 2018. It also includes the budget and borrowing requirements of the housing company model approved by Full Council on 18<sup>th</sup> September 2018.
44. The specification of the **Digital Office Park** have been amended to provide enhanced fire protection to improve the safety of the site as well as ensuring the safety of any developments on the neighbouring site. The increase in the cost to the project is £60k. This will be funded through an unused revenue reserve identified in 2017/18 for any revenue implications of bringing forward the Digital Office Park.
45. The funding for the **Digital Office Park** has also changed. Funding from ERDF was reduced by £300k and this has been replaced by prudential borrowing. There were delays to the start on site while issues encountered with developers on the neighbouring site were resolved. To keep the project within the agreed timescales additional costs of redesigning the scheme and accelerating the current contract have been incurred, this has resulted in an additional £300k to the project. Although this could be absorbed within the project budget, this additional cost was not deemed eligible for ERDF funding. As such the ERDF funding towards the total project budget has reduced with prudential borrowing being used to replace the funding. There is however no impact on the revenue model from this change as the MTFs had included borrowing costs for £400k of furniture fit out that was not part of the original ERDF bid. Through negotiations with ERDF this is now included in the model and is now eligible for ERDF funding.
46. The distribution of the **Market Walk Extension** budget has been amended with £200k from the original Brunswick Street improvements budget being transferred to Market Walk Extension development budget. The specification for the Brunswick has changed resulting in a lower forecast cost for these works.
47. The distribution of the **Steeley Lane** capital budget has been amended.
- An EMD on 5<sup>th</sup> October 2018 approved a £50k virement from the Steely Lane capital project to fund the Brunswick Street Highway Scheme. The scheme will



improve the pedestrian linkages between Clifford Street and Friday Street as well as Chorley station and its south bound platform.

- An EMD on 29<sup>th</sup> September 2018 approved a £50k virement from the Steely Lane capital project to fund Park Road Parking Scheme.

#### *Customer & Digital - £746k*

48. The **Bank Hall** restoration project has committed £1.174m, including £508k in 17/18, of HLF funding towards the project. The works are making good progress with grant claim 12 of 15 having being received. Specifications and materials have been agreed for all key areas and the target for completion of the structural repairs remains at December 2018 with the fit out works (which are non-grant eligible) to commence thereafter. There may be some slight slippage in the programme but this will still be within the HLF imposed target end date for the completion of 28 February 2019.

#### *Policy & Governance - £140k*

49. The 2018/19 project budget for **Astley 2020** is £547k. This budget includes £200k match funding toward a bid to the HLF for a total allocation of £2.1m. As per the advice of the HLF, the bid has being re-written and submitted in August 2018 with a likely response in December 2018. The budget also includes £82k for the improvements to Hallgate car park that have now been completed and £100k for the Garden of Reflection that is also complete and was funded through a grant from the Armed Forces Covenant. There remains a budget of £140k in the programme for footpath lighting.

#### *Early Intervention - £374k*

50. The total allocation for Chorley Council's **DFG** in 2018/19 is £717k, spend to date is £371k.

#### *Business, Development and Growth - £9.682m*

51. Total expenditure on the **Market Walk Extension** project in 2018/19 is £1.830m, this predominantly relates to the demolition of Oak House site and the works regarding the decked parking on Friday Street car park.
52. All works at **Harpers Lane Recreation Ground** are complete including upgraded path network, refurbished railings and gates, new railings to the bowling green, improved community building and toilets, the construction of a pump track and artificial grass multi use games area and £70k playground.
53. Phase 1 works to **Coronation Recreation Ground** are also complete; these include refurbished railings, gates, footpaths, walls and tennis court. Phase 2 works are well underway with the £150K toddler play almost complete and works have started on the construction of the £170K MUGA, fitness zone and play equipment for 8+ which is expected to be complete for Christmas.
54. The construction of **Primrose Gardens** continues to progress well with £3.847m spent in 2018/19. All ground floor apartments are plastered and roof works completed, ground and first floor windows are fitted and the first show room is now available for viewings. Works are on schedule to be completed by the 15<sup>th</sup> March 2019.

55. Enabling works at the **Digital Office Park** site are now complete and the main build has begun with spend in 2018/19 of £3.848m. Internal works have commenced including M&E and works to raised access flooring. There remains a budget of £900k in the capital programme for the enabling works relating to the larger site.
56. The **Asset Improvement Budget** for 2018/19 is £554k with commitments totalling £502k including works to PALS Memorial, Astley cottage roof, town centre CCTV and the covered markets.

#### **CAPITAL PROGRAMME FINANCING 2018/19**

<b>Fund</b>	<b>Original Budget 2018/19 £m</b>	<b>Quarter 1 2018/19 £m</b>	<b>Quarter 2 2018/19 £m</b>	<b>Change £m</b>
External Contributions	10.107	10.107	10.195	0.088
Grants	8.685	8.685	8.319	(0.366)
New Homes Bonus	0.400	0.400	0.355	(0.045)
Earmarked Reserves	2.314	2.314	2.374	0.060
Revenue	0.023	0.023	0.023	0.000
Capital Receipts	0.981	0.981	1.036	0.055
Borrowing	11.511	11.612	11.907	0.295
<b>Capital Financing 2018/19</b>	<b>34.020</b>	<b>34.122</b>	<b>34.209</b>	<b>0.087</b>

57. The changed from quarter 1 are the result of the changes outlined in paragraphs 43 to 45. In addition, contributions from RSLs have been received towards home adaptations, these contributions have replaced previously forecast use of DFG.

#### **IMPLICATIONS OF REPORT**

58. 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**

59. The financial implications are contained within this report

#### **COMMENTS OF THE MONITORING OFFICER**

60. No Comment

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>
David Bond/James Thomson	5488/5025	17/07/18	***