

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Executive Cabinet	22 June 2017

PROVISIONAL REVENUE AND CAPITAL OUTTURN 2016/17

PURPOSE OF REPORT

1. To present the provisional revenue outturn figures for the Council as compared against the budgets and efficiency savings targets set for the financial year 2016/17.
2. To present the provisional outturn figures for the 2016/17 capital programme and update the capital programme for financial years 2017/18 to 2019/20 to take account of the re-phasing of expenditure from 2016/17 and other proposed budget changes.
3. The accounts are provisional at this stage and are also subject to final checking and scrutiny by the Council's external auditor. Should there be any significant changes to the outturn as a result of this process a further report will be submitted to Executive Cabinet.

RECOMMENDATION(S)

4. Note the full year outturn position for the 2016/17 revenue budget and capital investment programme.
5. Request Council approval for slippage requests and other transfers to reserves outlined in Appendix 2 of the report to finance expenditure on specific items or projects in 2017/18.
6. Request Council approval for the contribution of £49,000 from in-year revenue underspends to the Change Management Reserve to finance one-off redundancy and pension strain costs arising from transformation and shared service strategies. This will supplement the £200k budget set aside in 2017/18 to increase the reserve.
7. Request Council approval for the contribution of £49,000 from in-year revenue underspends to the Buildings Maintenance Reserve to finance one-off costs relating to office utilisation and transformational change.
8. Note the 2016/17 outturn position on the Council's reserves.
9. Note the impact of the final capital expenditure outturn and the re-phasing of capital budgets to 2017/18 and approve the additions to the 2016/17 capital budget outlined in paragraph 77.
10. Request Council approval of the financing of the 2016/17 capital programme to maximise the use of funding resources available to the Council.

EXECUTIVE SUMMARY OF REPORT

11. There is a provisional underspend against the budget at year-end of £320k (as detailed in Appendix 1) prior to requests for slippage of committed items of £222k. The provisional underspend excludes any variances on investment items included in the budget in 2016/17. Details of the balances remaining at year end are shown in Appendix 2 and will be transferred into specific reserves and matched to expenditure in future years.
12. In the 2016/17 budget the net income from Market Walk excluding financing costs is £1.756m. The final outturn position shows that the net income is £1.786m, the £30k surplus being generated by underspends in various expenditure budgets including professional fees. This is in addition to the £60k surplus income already reported in monitoring which was used to invest in the Public Realm works capital scheme.
13. The capital outturn for 2016/17 is £11.037m.
14. The Council's 2016/17 Medium Term Financial Strategy proposed that working balances are to reach £4.0m by 2018/19. A budgeted contribution into general balances of £500k was contained within the new investment package for 2016/17. Should the recommendations in this report be accepted, the level of balances at 31 March 2017 will be £3.188m and in line to achieve the target of £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)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

16. None.

CORPORATE PRIORITIES

17. 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

18. The last report to the Executive Cabinet on 16 February contained a projected outturn for 2016/17 which showed a forecast budget underspend of £98k based on information to the end of December and that the level of General Balances at year-end would be £3.283m.
19. 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 3 together with expenditure to date against these projects and any balances carried forward for use in future years (for capital items see Appendix 5).
20. The Council's approved revenue budget for 2016/17 included target savings of £150,000 from management of the staffing establishment. The full savings target of £150,000 had previously been identified and reported in quarter 2.
21. Following the recommendations made in the December 2016 budget monitoring report, in-year revenue underspends have been set aside to fund the following items:
 - £150,000 to the Change Management Reserve.
 - £50,000 to the Buildings Maintenance Reserve.
22. The previous forecast for capital expenditure in 2016/17 was £14.563m.

SECTION A: CURRENT FORECAST POSITION – REVENUE

23. The net expenditure at the end of the financial year shows a provisional underspend against the Council's budgets of £320k (prior to requests for slippage and other special items into account). Details are shown in Appendix 1 and requests for slippage and the transfer of resources to reserves are outlined in Appendix 2. The main variances over and above those previously reported to Executive Cabinet are shown in table 1 below.

Table 1 – Significant Variations from the last monitoring report

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

	£'000	£'000
Expenditure:		
Staffing costs	32	
Redundancy Costs	(140)	
Elections (combined elections in 2016)	15	
Car Parking Pay & Display Machines	<u>15</u>	(78)
Income:		
Council Tax Summons Costs	41	
Planning Application Fees	<u>(32)</u>	9
Other:		
Net Financing Transactions	13	
Housing Benefits	115	
Community Infrastructure Levy (CIL) Admin	25	
Market Walk	30	
Other minor variances	<u>19</u>	202
Slippage items (underspends not previously reported)		89
Net Movement Since Quarter 3		222
Underspend Reported in Quarter 3		98
Outturn Underspend 2016/17		320

Expenditure

24. The additional savings on staffing costs of £32,000 shown in table 1 above reflects the changes made from the position reported to the end of December in the last monitoring report. The main changes are as a result of vacant posts, predominantly in the Early Intervention directorate, resulting from delayed recruitment to a number of posts following the introduction of new departmental structures.
25. As detailed in the December budget monitoring report, departmental restructures planned for the final quarter of the year would inevitably result in further one-off costs for both redundancy and pension strain. The Council subsequently approved a sum of £150,000 from in-year underspends to transfer to the Change Management Reserve and this has been fully utilised to finance some of the initial costs.
26. Further redundancy and pension strain costs of around £79,000 have since been incurred following the implementation of the Waste & Streetscene staffing review and £28,000 from the review of the Communications & Events team. In addition, costs of around £33,000 have been incurred following formal requests for early retirement from within the Customer Transformation team. These additional one-off costs of £140k can be met from the in-year

underspends detailed in this report and are necessary to enable the Council to restructure and deliver its transformation and shared services savings outlined in the 2017/18 MTFS.

27. As previously reported to Executive Cabinet, as a result of the combined Borough and Police and Crime Commissioner (PCC) elections, together with the EU Referendum, a significant proportion of the Council's costs were shared and as a result, a revenue budget saving of around £45,000 was initially forecast for 2016/17. The final claims for reimbursement of costs relating to the PCC Election and EU Referendum have still to be agreed but the final estimated saving for 2016/17 is now around £60,000 representing a further saving of £15,000.
28. At December 2016 it was reported that there was additional expected expenditure to be made against the Council's car parking budget owing to the necessary reprogramming and upgrading of the Council's 21 Pay & Display Machines. However rather than reprogramming all the machines, 11 new Pay & Display Machines will be purchased to replace ageing machines and therefore the revenue costs of these upgrades proved lower than previously anticipated.

Income

29. Over the financial years 2014/15 and 2015/16 the Council has set aside any surplus income generated from charges relating to council tax summons and liability orders in a specific earmarked reserve to offset any future increased liability in bad debts as a result of non-payment of these charges. A total of £156,000 was held in the reserve at the start of the 2016/17 financial year and a sum of £66,980 has been used to cover the cost of debts written-off over the course of the year, leaving a balance of £89,020 available to mitigate the impact of future bad debts. After taking into account the bad debts written-off in year, the Council received total income of £298,000 compared to a budget of £257,000 in 2016/17 giving a surplus of £41,000 for the year.
30. One area where income levels have fallen in recent months is for planning application fees. This has resulted in a final income figure of £528,024 for the year, £122,325 below budget and £32,325 lower than anticipated in the December forecast. Income received for the final quarter was again lower than budgeted levels for 2016/17 as a number of the larger planning applications that were anticipated to be realised in quarter four have now been received in the new financial year. This has increased the income receivable in the early part of the new financial year as larger planning applications to the value of £128,572 have already been received in April and early May.

Other Items

31. Expected borrowing to replace internal cash balances was not required until mid-March 2017; this resulted in additional financing savings of £13k. As the Council's expenditure on major capital projects accelerates additional borrowing may be taken as has been assumed in the 2017/18 budget.
32. Housing benefits payments and the value of subsidy received is one area that historically has a significant impact on the Council's year-end financial position due to the nature of the costs being demand driven and the uncertainty over the level of overpayments recovered and their associated bad debts. The additional net income of £115,000 received in Housing Benefits subsidy payments for 2016/17 reflects the additional specific work done over the past two years in aiming to reduce fraud and claimant error in Housing Benefit claims. This work was part of the DWP's Fraud and Error incentive work and resulted in higher volumes of Housing Benefit overpayments being identified in 2015/16.

33. In most cases the Council can reclaim the full cost of Housing Benefit payments as part of the year-end claim to the DWP for Housing Benefit Subsidy. However, in cases of benefit overpayments due to fraud and claimant error, the Council can only reclaim 40% of the overpaid expenditure, with the remainder being a cost to the Council. As the level of overpayments has reduced in 2016/17 due to the targeted work in reducing these costs, the Council has been able to reduce the amount of lost subsidy compared to previous years.
34. The Council is permitted to use 5% of the income collected through the Community Infrastructure Levy (CIL) to cover the cost of administering CIL. Staffing expenditure previously expected to be covered through the base budget was instead legitimately met through the CIL admin allocation therefore creating an underspend in 2016/17.

Budget Requests from Underspends

35. As a consequence of departmental restructures to be implemented in the final quarter of the year, a sum of £150,000 was previously set aside in the Change Management Reserve to offset initial costs for both redundancy and pension strain. However, as this reserve has now been almost fully utilised in 2016/17, it is proposed that a sum of £49k is transferred to this reserve from in-year savings to help finance any additional costs arising from implementation of the recent restructures. This will supplement the £200k budget set aside in 2017/18 as part of the 2017/18 budget setting process.
36. The majority of the Buildings Maintenance Reserve has also been utilised during 2016/17. This reserve is used to finance one-off expenditure in addition to the Council's annual maintenance budget and includes improvement works to Council offices and other buildings. It is expected that the Council will incur further one-off expenditure in coming months during a period of transformational change and as a result, it is proposed that a sum of £49k from 2016/17 revenue underspends is transferred to this reserve to finance these one-off costs.

COMMITTED ITEMS/SLIPPAGE REQUESTS

37. Each year the Council commits itself to expenditure that may not always be incurred in the financial year. It is customary to allow directorates that have a budget underspend to carry forward these resources to pay for specific items in the following year. This is an important part of the budget management process as it allows officers to commit earmarked resources to specific projects particularly towards the end of the financial year.
38. A full schedule of the budget carry forward (slippage) requests for 2016/17 is outlined in Appendix 2.

MARKET WALK

39. The budgeted net rental income from Market Walk after taking account of financing costs in 2016/17 is £0.902m with a final outturn of £0.932m net income.

Table 2: Market Walk Income Forecast (Mar 2017)

	2016/17 Budget	2016/17 Outturn	2016/17 Variance
Rental & Insurance Income	1,784,100	1,784,700	600
Operational Costs (excluding financing)	152,950	123,350	29,600
Net Income (excluding financing)	1,631,150	1,661,350	30,200
Financing Costs	628,830	628,830	0
Net Income (including financing)	1,002,320	1,032,520	30,200
Income Equalisation Reserve (Annual Contribution)	50,000	50,000	0
Asset Management Reserve (Market Walk)	50,000	50,000	0
Net Income	902,320	932,520	30,200

40. There was a £30k underspend on various expenditure budgets including professional fees. Due to the expanding occupancy of units at Market Walk there were underspends against budgets that had been set aside for the business rates and service charge liabilities of vacant units.
41. 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. For example there are currently tenants with an annual rental value in excess of £100k per annum. The forecast balances at the end of 2016/17 after the in-year contributions are £250k (income equalisation) and £136k (asset management reserve). Further contributions to the income equalisation reserve will be made in the coming years to mitigate against any potential lost income and affording the Council some time to seek alternative tenancy agreements.
42. The service charge to tenants includes a contribution towards a sinking fund to fund large unforeseen works to the shopping centre that can't be met within the maintenance budget. The total balance of the sinking fund is £154k. With the construction of the Market Walk Extension underway in 2017/18 it is envisaged that a number of improvement works to the fabric of the existing Market Walk buildings will be undertaken to provide both aesthetic and physical upkeep. It is likely that these works will include a schedule of repainting works as well as paving improvements. In addition to this, a full review of existing Planned Preventive Maintenance (PPM) works is also taking place in 2017/18.

2015/16 INVESTMENT AREAS

43. The budget for 2016/17 saw the addition of a new budgeted investment package funded from available surplus of New Homes Bonus. The total revenue investment programme for 2016/17, including balances from investment budgets carried forward from 2015/16 and changes approved during the year, totalled £2.3m and the progress to date with regard to spend is detailed in Appendix 3.

44. Due to the scale of the investment, delivery of these projects will be made over more than one year and any unspent balances at the end of the 2016/17 financial year will be transferred to specific project reserves. The reserves will be matched to expenditure as it is incurred during 2017/18.

GENERAL FUND RESOURCES AND BALANCES

45. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £2.685m. The approved 2016/17 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 impact of the initial provisional underspend, together with the in-year transfers to and from reserves, is a closing balance of £3.508m for working balances.
46. There are a number of items, however, that will impact on this position that should be considered by Cabinet, these being:
- Carrying over £222k into 2017/18 via slippage requests (outlined in Appendix 2)
 - Transfer of £49k to the Change Management Reserve
 - Transfer of £49k to the Buildings Maintenance Fund
47. The provisional outturn position (after taking requests for slippage and the above recommendations into account) shows that the General Fund closing balance will be around £3.188m as detailed in the table below.

Table 3 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2016/17	2.685
Budgeted contribution to General Balances	0.500
Prior year adjustment to General Balances	0.003
Forecast revenue budget underspend	0.320
Initial General Fund Balance	3.508
Slippage Requests into 2017/18	(0.222)
Contribution to Change Management Reserve	(0.049)
Contribution to Asset Maintenance Reserve	(0.049)
Final General Fund Closing Balance	3.188
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	3.947

48. The medium term financial strategy approved at Full Council in February 2017 set a target for general fund balances to reach £4m by the end of 2018/19. Budgeted contributions will be made to the general fund of £500k (17/18) and £259k (18/19). Based on these budgeted contributions the general fund balance will approach £4m by 2018/19.

EARMARKED RESERVES

49. Appendix 4 provides further information about the specific earmarked reserves and provisions used throughout 2016/17, and those that would be available for use in 2017/18 if the recommendations of this report are approved.

	Balance 1 April 2015 £'000	Transfers		Balance 31 March 2016 £'000	Transfers		Balance 31 March 2017 £'000
		Out £'000	(In) £'000		Out £'000	(In) £'000	
Rephasing of planned expenditure	(822)	168	(405)	(1,059)	642	(925)	(1,342)
Rephasing Investment Projects	(686)	673	(877)	(890)	885	(1,458)	(1,463)
Grants reserved for specific expend	(278)	258	(96)	(116)	47	(75)	(144)
Financing of capital expenditure	(2,246)	700	(1,464)	(3,010)	1,252	(967)	(2,725)
Planning purposes incl. appeals	(39)	12	(38)	(64)	32	(72)	(104)
Restructuring of services	(384)	692	(459)	(151)	297	(199)	(54)
Retail Investment	(110)	111	(107)	(106)	106	(112)	(111)
Apprenticeships for young people	(39)	39	(104)	(104)	40	0	(64)
Resource equalisation	(534)	92	(465)	(907)	80	(50)	(878)
Maintenance of Council buildings	(275)	234	(107)	(147)	43	(104)	(208)
Maintenance of Grounds	(72)	25	(10)	(57)	38	(10)	(29)
Elections	(58)	29	0	(29)	29	0	0
Other	(321)	168	(64)	(217)	67	(6)	(157)
Total	(5,864)	3,201	(4,196)	(6,859)	3,558	(3,979)	(7,280)

Purpose of Earmarked Reserves

- **Rephasing of planned expenditure** – there are a number of directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. These reserves will ensure that such initiatives can be completed. They include ICT projects and infrastructure £400k, Transformation Challenge funding £135k and slippage from 2016/17 £222k.
- **Rephasing Investment Projects** – there are a number of specific investment packages included in the Council's annual revenue budget aimed at delivering corporate priorities. As delivery on these schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years. They include investment budgets carried forward to 2017/18 (£1,037k) and an investment fund for realising income generation (£402k).
- **Grants reserved for specific expenditure** – this represents income from Government Grants received which have no conditions attached or where no expenditure has yet been incurred.
- **Financing of capital expenditure** – these reserves represent financing of the capital programme from revenue resources. £1m relates to reserves set aside to fund public realm works in the town centre. In addition £160k is carried forward to part-fund Astley 2020 and £600k relates to the Oak House site reverse premium that will fund public realm works in the town centre.

- **Planning purposes including appeals** – this reserve has been established to mitigate future costs of planning appeals.
- **Restructuring of services** – this reserve is provided to support the one-off staffing cost implications of service transformation programmes.
- **Retail Investment** – this reserve represents the Council's investment in the borough through the Retail Grants Programme which provides specific funding for local businesses in the form of refurbishment grants and business rate subsidy.
- **Apprenticeships for young people** – this reserve provides funding over a two year period for apprenticeships within the Customer Transformation service.
- **Resource equalisation** – this represents the Business Rates Retention reserve £627k and Market Walk income equalisation reserve £250k established to minimise the risk of fluctuations in future income levels from Business Rates and the Council owned shopping precinct.
- **Maintenance of Council buildings** – this reserve has been established to provide funding for future asset improvement works in relation to the Council owned Market Walk retail precinct and other Council properties.
- **Maintenance of Grounds** - this reserve provides for future investment in the Council's parks and open spaces.
- **Elections** – this has been established to equalise the costs of holding local elections over the Council's four year election cycle.
- **Other** – this represents other balances set aside in reserves to mitigate the impact of various issues including potential future bad debts on Council Tax Summons/Liability Orders and changes in the Council's pay policy.

SECTION B: CURRENT FORECAST POSITION – CAPITAL

50. Amendments to the 2016/17 to 2018/19 capital programme have been reported to Executive Cabinet through the quarterly monitoring reports. The Capital Budget for 2016/17 to 2019/20 was reported to Special Council on 28 February 2017 as well as the latest forecast expenditure in 2016/17. The capital programme was as follows:

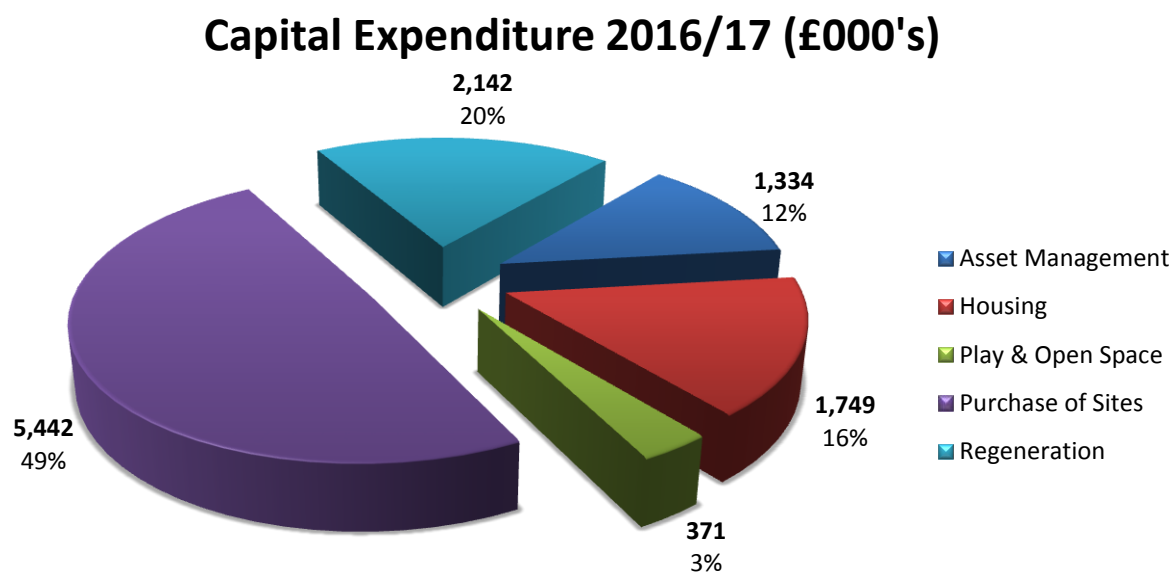
- 2016/17: £14.563m
- 2017/18: £24.648m
- 2018/19: £8.965m
- 2019/20: £0.800m

51. Capital expenditure in 2016/17 was £11.037m. Appendix 5 gives a summary of the capital schemes undertaken as well as the requests for carry forwards and additions resulting in an updated capital programme for 2016/17 to 2019/20 budgets.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING 2016/17

Capital Expenditure 2016/17

The chart below outlines the key areas the Council invested its capital expenditure in 2016/17



52. The £5.4m purchase of sites relates to the following purchases:

- a £3m land swap whereby the Council exchanged residential land for other land in the borough, the majority of which is designated to be developed for employment purposes. The Council will develop the newly acquired employment land realising employment and income generation opportunities;
- the £2m purchase of further land in the Town Centre to be developed into public realm space as well as the £0.2m purchase of Victory Park Football Ground where the Council will act as landlord.

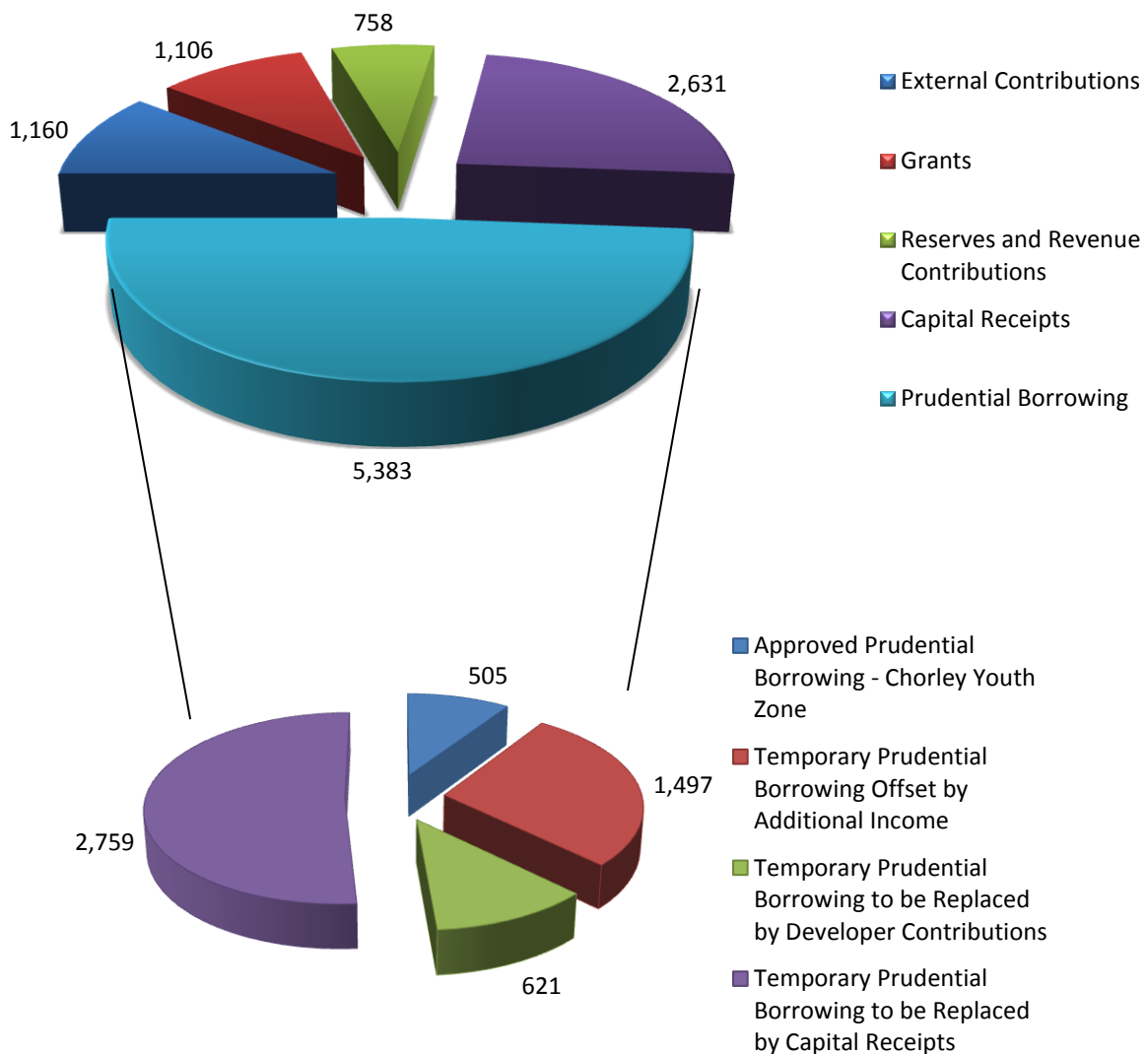
53. The Council invested £1.7m in Housing in 2016/17. The Council secured £658k external funding for the extension of Cotswold House supported housing for homeless families and individuals, £600k was spent in 2016/17. The Council purchased the necessary sites to begin work on Primrose Requirement Living supported housing; a total of £600k was spent in 2016/17 regarding these purchases and additional preliminary works.

54. Over £2m was invested in regeneration projects including £505k contributions to the Chorley Youth Zone project, £412k for the further development of Market Walk Shopping Centre and £475k for the completion of the Buckshaw Community Centre. In December 2016 the Council completed the purchase of land in Euxton that will enable the construction of a Digital Office Park. The total spend on this project, 50% funded through European funding, was £705k.

Capital Financing 2016/17

55. As has been demonstrated above, the Council has invested in a number of key areas including purchase of employment sites, economic regeneration and housing. The Council has financed this expenditure through a number of different sources outlined in the charts below.

Capital Financing 2016/17 (£000's)



56. The Council has been successful in securing total grants of £658k from the HCA and £4.05m from the remaining tranche of European Regional Development funding. These grants along with other smaller grants have funded over £1m of capital expenditure in 2016/17.

57. The purchase of land from the HCA for £3m was part funded through the sale of Council owned land valued at £2.5m.
58. The Council used £5.383m of prudential borrowing to fund capital expenditure in 2016/17. £4.878m of this will be temporary as it will be replaced by other sources:
- Borrowing to fund works to the Digital Office Park, Market Walk Extension and the purchase of employment land will be funded through future income streams generated from these sites.
 - The purchase of new bins relating to the introduction of subscription based garden waste collections will be funded through the income generated by the new scheme.
 - The works to Primrose Garden Retirement Village are to be funded through developer contributions that have been identified but are not yet payable to the Council.
 - The £2.3m purchase of land in the Town Centre and Victory Park will be funded through the sale of land at Southport Rd Chorley that completed in May 2017.

DIRECTORATE SPECIFIC CAPITAL PROJECTS

Customer & Digital - £0.915m

59. In 2016/17 the Council took delivery of 16,850 grey, 240L **wheeled bins** at a cost of £255k, including delivery costs to residents, to facilitate the roll-out of the new subscription based garden waste collection. A total of 20,000 240L grey bins were ordered with the remaining quantity due for delivery in 2017/18. In addition to the new bins purchased specifically for the chargeable garden waste scheme a further £23k was spent on caddies and recycling boxes plus £78k on supplementary wheeled bins representing a continual investment in the Council's commitment to further increase recycling rates across the borough.
60. In 2016/17 £535k investment was made in **vehicles and machinery** to enhance the Streetscene fleet. This included a skip wagon (£72k), 14 flat-bed Movano vans (£351k), 3 mowers (£15k) and a bin wagon (£97k). An exercise to determine the best way to finance the vehicles, for example through leasing, will be carried out during 2017/18. A budget of £166k was already included in the capital programme for the purchase of the bin and skip wagons, it is requested that Council approve a £369k addition to the 2016/17 capital budget for the remaining vehicles. An options appraisal will be carried out in 2017/18 to ascertain the most cost effective way to finance the £535k purchases. The options are, borrow from prudential borrowing and repay through existing revenue budgets or sell the fleet purchased to the successful lease company for them to lease back Chorley for a specific period of time, and again financed through existing revenue budgets. Revenue budgets are already in place to fund these purchases whether they are owned by the Council or sold and leased back.
61. As part of increasing efficiency in the working day of office based staff a one-off purchase of a **Time Management Software system** was purchased and implemented at a cost of £12k. The costs of the purchase and subsequent costs of licensing have been budgeted for in revenue budgets.
62. Works to the value of £12k were completed in 2016/17 in respect of improvement works to the paths at Chorley Cemetery. Works to the value of £12k were completed in 2016/17 in respect of improvement works to the paths at Chorley Cemetery. This represents the first stage of works in a wider scheme of improvements to **Cemetery Paths** to the value of £230k. The remaining £218k budget is re-profiled as £141k in 2017/18 and £77k in 2018/19 to the value of £230k.

63. The entire £2.2m budget for the **Bank Hall** Heritage Lottery funded project was added to the capital programme in the previous quarter's monitoring report. The profiled expenditure is not yet available and so this will be re-profiled into 2017/18.

Policy & Governance - £0.685m

64. As a continuation of the Council's partnership with Onside, LCC and other contributors in constructing a new **Youth Zone** in Chorley Town Centre further capital contributions of £505k were made in 2016/17 in addition to the £150k contribution made in 2015/16. It had been anticipated that the Council would contribute £880k in 2016/17 and as such the remaining £375k will be re-profiled into 2017/18.
65. It is requested that the total budget for the Youth Zone be increased by £100k due to a revised capital contribution from LCC from £1m to £1.1m. Chorley Council will receive this agreed contribution from LCC and passport it, when required, to the project. The budget for the Council's contributions to the Youth Zone will be as follows:

Expenditure	2015/16 £000s	2016/17 £000s	2017/18 £000s	Total £000s
Demolition (CBC Contribution)	0	55	0	55
Chorley Contribution	150	450	400	1,000
LCC Contribution via CBC	0	0	1,100	1,100
Total Contributions from CBC	150	505	1,500	2,155

66. £180k was spent on the **Astley Hall & Park Development** in 2016/17 against a forecast budget at Q3 of £210k. Of this, £62k was spent on Astley Hall and events infrastructure, £82k was spent on the completion of the Victorian Glasshouse, and £36k on the completion of the upgrade to the tennis courts. The 2017/18 budget, including underspends brought forward from 2016/17, now stands at £474k. The use of this budget is currently being reviewed but it is expected to be spent on a match funded Heritage Lottery Fund bid for renovations to the hall as well as upgrades to footpath lighting and events infrastructure and car parking.

Early Intervention - £1.455m

67. The Council's **Disabled Facilities Grant (DFG)** allocation from the Better Care Fund was £614k in 2016/17 with the cost of adaptations totaling £529k. Additional contributions from housing associations of £74k resulted in a carried forward DFG allocation of £158k. The allocations for 2017/18 have been announced and Chorley's allocation will be £666k. It is proposed the budget for 2017/18 is increased to £824k to reflect the new allocation and the carried forward funding. On the 16th March 2017 an approval was made to adopt revised housing assistance policies. It is anticipated that these changes will increase the expenditure against the DFG allocation.
68. The final phase of the works at **Cotswold House** was begun in 2016/17 at a cost of £598k. This included the upgrade of 16 units with works to bathroom and shower facilities. £658k of HCA funding was secured for these works with £200k match funding from Chorley Council. The original tender for the works came in £200k under budget and additional, valuable works are being undertaken and completed in early 2017/18 to fully upgrade the site and meet the £858k project budget.

Regeneration & Inward Investment - £7.981m

69. Progress continues to be made on the **Market Walk Extension** project. £413k was spent in 2016/17 on acquisitions and pre-construction delivery. Main building works on the project are due to take place in 2017/18 from a capital budget of £11.6m. A full update regarding this project will be made to Full Council in July 2017.
70. The new **Buckshaw Community Centre** was completed under a design and build contract in 2016/17. After a £150k deposit was paid to the contractor in 2015/16 a further £475k was spent in 2016/17 bringing the total cost of the project to £626k.
71. A total of £621k was spent on the **Primrose Gardens Retirement Living** project in 2016/17. This included the purchase of land and buildings on the existing site amounting to £384k along with £205k design and consultancy costs from the main contractor and £25k project management costs. A full update regarding this project will be made to Full Council in the coming weeks.
72. £706k was spent on preliminary costs relating to the build of the **Digital Office Park**. This included £635k on the purchase of the site (inclusive of £20k stamp duty) and £70k on design, engineering and consultancy fees. The budgets for 2017/18 and 2018/19 throughout the construction phase of the project are £4.965m and £2.45m respectively. These will be updated in 2017/18 subject to revised profiling of expenditure.
73. The expenditure for the **Play, Recreation and Open Space Projects** in 2015/16 was £155k. Works and installations at Knowley Brow and Union Street were begun in 2015/16 and were completed in 2016/17 at a cost of £13.8k and £3.5k respectively. Other projects completed in 2016/17 include works at Abbey Village (£21.6k), Buttermere (£48k) and Wymott Park Playground (£17k), whilst expenditure on on-going projects include Eaves Green Play Area (£3k), Rangletts Recreation Ground (£4.8k), Drapers Avenue (£5.4k) and footpath improvements and resurfacing at Tatton Recreation Ground (£35.4k). Two large scale playing pitch improvement schemes are in their early stages of development - £10k was spent on bore holing and feasibility studies at King George V playing field, £9.4k was spent on pitch design and ecological surveys at **Westway Playing Pitches**.
74. £90k was spent in 2016/17 on **asset improvement** works to the Council's portfolio of administrative and rental buildings. This included roofing and electrical works to tenanted properties of £55k and improvement works to Bengal Street and Union Street offices in preparation for LCFT staff moving into the Council offices as part of the Integrated Community Wellbeing Service.
75. £1m had been budgeted for in 2016/17 to improve **Public Realm** works in and around Chorley Town Centre. Owing to delays in works commencing on these improvement schemes only £43k was spent in 2016/17 whilst the remaining budget has been carried forward to the 2017/18 budget.
76. In 2016/17 the Council undertook the acquisition of a number of sites in keeping with the authority's medium to long term strategic aims of creating a strong local economy and fulfilling the ambitions of meeting the needs of local residents. This included the purchase of the **Royal Oak Block** (£2.142m) and **Victory Park Football Ground** (£210k). In addition to the above purchases the Council entered into a **land exchange arrangement with the Housing and Communities Agency** (HCA) to enable to the further development of

provision of affordable housing in the borough. In exchange for land suitable for residential development, Chorley Council received over 30 acres of land that has the potential to be brought forward for employment use. The net cost to the Council of the exchanges, including stamp duty and land tax, was £600k.

ADDITIONS TO THE CAPITAL PROGRAMME

77. As per the paragraphs above, Council is asked to approve the following additions to the capital programme:

- The additional capital budget requirement will be met from Prudential Borrowing and amounts to £369k of the £535k fleet purchases during 2016/17. An options appraisal will be carried out in 2017/18 to ascertain the most cost effective way to finance the £535k purchases. The options are, borrow from Prudential Borrowing and repay through existing revenue budgets or sell the fleet purchased to the successful lease company for them to lease back Chorley for a specific period of time, and again financed through existing revenue budgets. Revenue budgets are already in place to fund these purchases whether they are owned by the Council or sold and leased back.
- £12k budget for the purchase of the time management system. This will be funded through ICT revenue budgets already put aside in 2016/17.
- £100k increase in the Chorley Youth Zone budget to factor in the increased contribution from LCC, from £1m to £1.1m, towards this capital project.
- Increase the DFG budget in line with the carry forward DFG from 2016/17 and the new £666k allocation announced for 2017/18. This will result in a budget of £824k in 2017/18 and £666k in 2018/19 onwards, assuming the allocation levels remain the same as in 2017/18. A proportion of this budget will be drawn-down to meet the revenue costs of managing the scheme as per the Revised Housing Assistance Policies report approved by Executive Cabinet on 16 March 2017.
- As a result of the review to upgrade Car Park Pay & Display Machines to reflect the new charging regime it was deemed that a number of machines had, over time, become technologically obsolete. An exercise was undertaken to procure 12 x Car Park Pay & Display Machines to replace technologically obsolete models at a cost of £38k to be installed in early 2017/18. £20k of 2017/18 Car Parking revenue budget was identified to contribute to the capital investment with a further £19k to be funded through reserves.
- A number of minor variations to Play and Open Space budgets as schemes are finalised and Section 106 monies are allocated according to their specified conditions. This has resulted in a budget increase of £18k in 2017/18 to be funded through S106 funding.
- The purchase of Victory Park and Oak House and associated land was approved by Executive Cabinet on 16 March 2017. The total budget is £2.375m with a final purchase cost of £2.352m.

CAPITAL PROGRAMME FINANCING 2016/17

Table 4: Capital Financing as at 31st March 2017

Fund	Quarter 1 2016/17 £'000	Quarter 2 2016/17 £'000	Quarter 3 2016/17 £'000	Outturn 2016/17 £'000s
External Contributions	4,530	4,535	1,420	689
Grants	1,971	2,424	3,966	1,576
New Homes Bonus	400	310	264	197
Earmarked Reserves	1,968	1,951	637	532
Revenue	0	0	20	29
Capital Receipts	852	852	2,678	2,631
Borrowing	4,285	4,016	5,579	5,383
Capital Financing 2016/17	14,006	14,088	14,564	11,037

78. The fall in expected external contributions throughout the year is mainly due to:
- The delay in funding being received from LCC for the Chorley Youth Zone, it was expected £500k of this contribution would be utilised in 2016/17.
 - The re-profiling of expenditure originally budgeted to be funded through S106 contributions for example Westway Playing Fields and Town Centre Public Realm works
79. The reduction in funding from grants when compared to quarter 3 is due to £2.2m HLF grant for the Bank Hall project being reprofiled into 2017/18.
80. Approximately £2m of earmarked reserves were forecast to be utilised at the start of 2016/17. £1m of reserves were forecast to fund public realm works to the town centre that have now been reprofiled into future years. The remaining £500k variance is due to the reprofiling of expenditure for Astley 2020 and the play and open space projects into future years.
81. The Council's forecast borrowing decreased by £2.5m since quarter 1 as expenditure relating to the development of the Market Walk extension was reprofiled into 2017/18. This has been offset by the additional temporary borrowing outlined earlier in this report.

IMPLICATIONS OF REPORT

82. 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

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

COMMENTS OF THE MONITORING OFFICER

84. 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	06/06/17	Provisional Revenue and Capital Outturn 2016-17