

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Executive Cabinet	21 June 2018

## **PROVISIONAL REVENUE AND CAPITAL OUTTURN 2017/18**

### **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 2017/18.
2. To present the provisional outturn figures for the 2017/18 capital programme and update the capital programme for financial years 2018/19 to 2020/21 to take account of the re-phasing of expenditure from 2017/18 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 2017/18 revenue budget and capital investment programme.
5. Note the use of the £2.2m Southport Road capital receipt, as outlined in paragraph 34, to pay off the borrowing used to fund assets with short useful lives and instead use prudential borrowing to fund the purchase of the Oak House. The outcome being a £176k saving to the council's revenue budget.
6. Request Executive Cabinet approval for slippage requests outlined in Appendix 2 of the report to finance expenditure on specific items or projects in 2018/19.
7. Request Council approval for the contribution of £300,000 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.
8. Request Council approval for the contribution of £100,000 from in-year revenue underspends to the Asset Maintenance Reserve to finance one-off costs relating to the Council's maintenance of offices and buildings.
9. Request Council approval for the contribution of £156,835 from in-year revenue underspends to the Business Rates Retention Equalisation Reserve.
10. Note the 2017/18 outturn position on the Council's reserves outlined in Appendix 4.
11. Note the impact of the final capital expenditure outturn and the re-phasing of capital budgets to 2018/19 and approve the additions to the capital programme outlined in paragraph 72.
12. Request Council approval of the financing of the 2017/18 capital programme to maximise the use of funding resources available to the Council.

## EXECUTIVE SUMMARY OF REPORT

13. There is a provisional underspend against the budget at year-end of £715k (as detailed in Appendix 1) prior to requests for slippage of committed items of £105k.
14. The provisional underspend excludes any variation to projected expenditure on investment items included in the budget in 2017/18. Details of the balances remaining at year end are shown in Appendix 3 and will be transferred into specific reserves and matched to expenditure in future years.
15. In the 2017/18 budget the expected net income from Market Walk after deducting financing costs is £0.998m. The final outturn position shows an overspend of £3k but this includes £120k of revenue expenditure relating to the Market Walk Extension project including £70k cost of the temporary parking arrangements at the Flat Iron Car Park.
16. The capital outturn expenditure for 2017/18 is £11.391m.
17. 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 was contained within the budget for 2017/18. Should the recommendations in this report be accepted, the level of balances at 31 March 2018 will be £4.0m and the target achieved a year early.

<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)

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

19. None

## CORPORATE PRIORITIES

20. 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

21. The net revenue budget for 2017/18 is £15.461m. This has been amended to include approved slippage from 2016/17 and any transfers to/from reserves.
22. Appendix 4 provides further information about the specific earmarked reserves and provisions available for use throughout 2017/18.
23. A full schedule of the investment budgets carried forward from 2016/17 and the new (non-recurrent) investment budgets introduced in the 2017/18 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).
24. The Council's approved revenue budget for 2017/18 included target savings of £150,000 from management of the staffing establishment. The full savings of £150k had previously been identified and reported in quarter 1.
25. Following the recommendations made in the December 2017 budget monitoring report, in-year revenue underspends have been set aside to fund the following items:
- £60,000 to the Asset Maintenance Reserve
  - £100,000 to the Change Management Reserve
  - £40,000 to the Planning Appeals Reserve
  - £40,000 to the Income Generation Reserve
  - £130,000 to the ICT & Streetscene Modernisation Reserve

## SECTION A: CURRENT FORECAST POSITION – REVENUE

26. The net expenditure at the end of the financial year shows a provisional underspend against the Council's budgets of £610k (after taking requests for slippage and other special items into account). Details of the revenue outturn position are shown in Appendix 1 and requests for slippage are outlined in Appendix 2. The main variances over and above those previously reported to Executive Cabinet are shown in 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	146	
Insurances	<u>10</u>	
		156
<b>Income:</b>		
Cemetery Income	29	
Building Control Fees	11	
CIL Admin Income	28	
New Burdens Grants	35	
DFG Admin Income	<u>13</u>	
		116
<b>Other:</b>		
Financing	196	
Housing Benefits	51	
Other minor variances	<u>30</u>	
		277
<b>Net Movement since Quarter 3</b>		<b>549</b>
Quarter 3 Net Forecast Underspend		61
<b>Provisional Outturn Underspend 2017/18</b>		<b>610</b>

### *Expenditure*

27. The additional savings on staffing costs of £146,000 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 Customer and Digital, and Business Development & Growth directorates (£77k and £73k respectively) resulting from delayed recruitment to a number of posts pending the implementation of new departmental structures in line with the Council's transformation strategy.
28. The Council's revenue budget for 2017/18 included a provision of £10k for a potential new insurance policy to cover the risk of cyber-attack and data breaches. After discussions with the Council's insurance provider it was decided not to proceed with a policy at this stage as the cover being provided within the policy was still being developed and there was uncertainty over the level of cover and what would be eligible for a claim. This position will continue to be monitored, particularly following the introduction of GDPR.

### *Income*

29. The levels of income received from funeral directors for burial and interment fees have seen a significant increase over the final quarter of the year compared to budget, predominantly in relation to Chorley Cemetery, with around 20% of the total income for the year received in the month of January alone. This has resulted in additional income of around £29,000 compared to the forecast reported in December.

30. Income levels from Building Control Inspection Fees have also increased over the final quarter of 2017/18 compared to budgeted levels. The Building Control Team has been actively promoting the service to developers and other local organisations and this has helped to generate additional income of around £11,000 over recent months.
31. The Council is permitted to use 5% of the income collected each year through the Community Infrastructure Levy (CIL) to cover the cost of administering CIL. The total CIL collected in 2017/18 was £1,810k, generating eligible CIL admin of £90k. Of this, £47k was used to finance staffing costs in the Planning Policy Team and £15k used for ICT Software, leaving a balance of £28k. As a result, additional staffing expenditure previously expected to be covered through the base budget was instead legitimately met through the CIL admin allocation therefore creating a saving in 2017/18.
32. As previously reported to Executive Cabinet going as far back as 2014, legislation introduced by central government in relation to property search fees had given rise to a legal claim against the Government and local authorities. Bevan Brittan Solicitors were appointed by the Local Government Association (LGA) to act on Chorley's behalf along with 369 other local authorities in dealing with the claim and securing reimbursement of costs. In light of further representations made on behalf of authorities, the Government has since agreed to revise its final grant offer that brings the total amount recovered to 92.4% of all sums paid out by local authorities. The final Property Searches New Burdens payment received by the Council was £25,717 as announced on 4 April 2018. The Government has also recently announced the award of two further grants for 2017/18, the Transparency Code New Burdens Grant of £8,103 and the Letting Agents Transparency and Redress Schemes grant of £761.
33. In 2017/18 the Council completed works to the value of £622k under the local authority's statutory duty to provide aids and adaptations under the Disabled Facilities Grant to those who qualify. As part of the arrangement, the Council is allowed to claim an administration fee calculated at 10% of all completed works during the year and as the value of completed works was higher than previously forecast, this has generated an additional £13k income for 2017/18.

#### *Other Items*

34. The council has experienced a £196k underspend against the budgets set aside to fund its capital financing requirement (borrowing). Of this underspend £176k relates to the use of a £2.2m capital receipt the council received from the sale of land at Southport Rd. Rather than use this receipt to meet the cost of the purchase of the Oak House site, the council used the receipt to pay off the borrowing used to fund other assets with shorter useful lives such as vehicles and bins. The council will use borrowing to fund the purchase of Oak House and spread the cost over the life of this asset. The net result of using the receipt in this manner meant a reduction in the cost of borrowing in 2017/18 of £176k. It should be noted that the total cost of borrowing for the council remains the same, borrowing will instead be spread over a longer period.
35. The housing benefits payments budget 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. By reducing the level of benefit overpayments due to fraud and claimant error, the Council is able to increase the amount of eligible benefits subsidy it receives and also reduce the burden of outstanding debts and the level of bad debts provision. The level of outstanding debts has reduced compared to the previous year and this has resulted in a lower charge to the bad debts provision compared to the budgeted position. The net effect of

the outturn figures is a further reduction in costs of around £51,000 in addition to the £24,000 saving forecast in December.

### *Requests from Underspends*

36. During 2017/18 the Council utilised a sum of around £241k from the Change Management Reserve to finance the one-off redundancy and pension strain costs as a result of the restructures already implemented. The balance remaining at year end is now around £112k and will not be sufficient to cover further staffing changes due to take place as part of the transformation and shared services strategies and so this reserve will need to be resourced correctly for the Council to fund these changes. It is therefore proposed that a sum of £300k is set aside from the 2017/18 revenue underspends to contribute towards these one-off costs.
37. The balance remaining in the Asset Maintenance Reserve as at 31<sup>st</sup> March 2018 was £247k, the majority of which has already been committed for the Worksmart programme, reservoir works, investment in CCTV and other scheduled maintenance works. With no budgeted contribution in 2018/19 it is now prudent to increase the reserve to allow the Council the flexibility to maintain and improve its assets. It is proposed therefore that an additional £100k is set aside from this year's revenue underspends to contribute to these costs.
38. The total currently held in the Council's Business Rates Retention Reserve as at 31<sup>st</sup> March 2018 is £657k with around £370k of this sum already committed for use within the 2018/19 base budget to offset a prior year deficit. There are large risks associated with the Council's future business rates income, not least of which is due to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and would have a significant impact on the Council's revenue budget. There is also potential for a significant increase in appeals following the revaluation of business rates starting in 2021 which could further reduce the Council's income.
39. In addition to this, the Government intends to introduce a revised funding methodology for the distribution of business rates income which is anticipated to be implemented by 2020/21. However, it is still unclear at this stage what impact this will have on the Council's business rates income. Due to this high level of uncertainty over the medium term it is prudent to increase the level of the Council's Business Rates Retention Reserve whenever possible to mitigate the associated risks. It is therefore proposed that a sum of £156,835 is transferred to this reserve from available revenue underspends in 2017/18. This would still leave a sum of around £53k revenue underspend for 2017/18 which would contribute to General Balances and meet the Council's target for balances of £4.0m as set out in the Medium Term Financial Strategy.

## MARKET WALK

40. The budgeted net rental income from Market Walk after taking account of financing costs in 2017/18 is £0.998m. The budget in 2017/18 includes an increase in the income budget of £50k due to the full occupancy of the shopping centre. The revenue outturn position shows an overspend of £3k that includes £120k of revenue expenditure relating to the Market Walk Extension project including £72k cost of the temporary parking arrangements at the Flat Iron Car Park.

**Table 2: Market Walk Income 2017/18**

	<b>2017/18 Budget £</b>	<b>2017/18 Outturn £</b>	<b>2017/18 Variance £</b>
Rental & Insurance Income	(1,774,100)	(1,768,979)	(5,121)
Operational Costs (excluding financing)	147,200	25,622	121,578
Market Walk Extension Revenue Expenditure	0	47,756	(47,756)
Temporary Car Park – Flat Iron		72,294	(72,294)
<b>Net Income (excluding financing)</b>	<b>(1,626,900)</b>	<b>(1,623,307)</b>	<b>(3,593)</b>
Financing Costs	628,830	628,830	0
<b>Net Income (including financing)</b>	<b>998,070</b>	<b>994,477</b>	<b>(3,593)</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>898,070</b>	<b>894,477</b>	<b>(3,593)</b>

41. There is a budget underspend on operational expenditure of £121,578 in 2017/18. This underspend comes from a number of budgets including general maintenance and professional fees. The Council has budgeted for a number of letting agent fees relating to rent reviews and lease agreements. These reviews have not been finalised and as such the budget has underspent in 2017/18, these costs can still be met from within the 2018/19 budget.
42. A total of £47,756 in revenue expenditure has been incurred relating to the Market Walk Extension project. This relates to a town centre car park feasibility study, a demographic data report and town centre improvement project support.
43. In addition to these costs there is expenditure of £72,294 that relates to the temporary resurfacing of the Flat Iron Car Park. The majority of this cost is for materials, labour and machinery with some additional costs for temporary lighting and drainage. The works were included in the Market Walk Extension Pre-Construction Service Agreement. As a result of the decision taken by Full Council on 23<sup>rd</sup> January 2018 the temporarily resurfaced car park will now be developed for the construction of the extension to Market Walk Shopping Centre.

## GENERAL FUND RESOURCES AND BALANCES

44. With regard to working balances, and as per Appendix 1, the Council started the year with a balance of £3.188m. 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 impact of the initial provisional underspend, together with the in-year transfers to reserves, is a closing balance of £4.557m for working balances.
45. Should the recommendations in this report be approved, the forecast balance would reduce to £4.0m as detailed in table 3 below and would achieve the £4.0m target a year early.

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

<b>General Balances</b>	<b>£m</b>
Opening Balance 2017/18	3.188
Budgeted contribution to General Balances	0.500
Additional in-year contribution to General Balances	0.259
Forecast revenue budget underspend	0.610
<b>Initial General Fund Closing Balance 2017/18</b>	<b>4.557</b>
<b>Use of in-year underspends:</b>	
Change Management Reserve	(0.300)
Buildings Maintenance Fund	(0.100)
Business Rates Reserve	(0.157)
<b>General Fund Closing Balance 2017/18</b>	<b>4.000</b>

46. Appendix 4 provides further information about the specific earmarked reserves and provisions available for use throughout 2018/19.



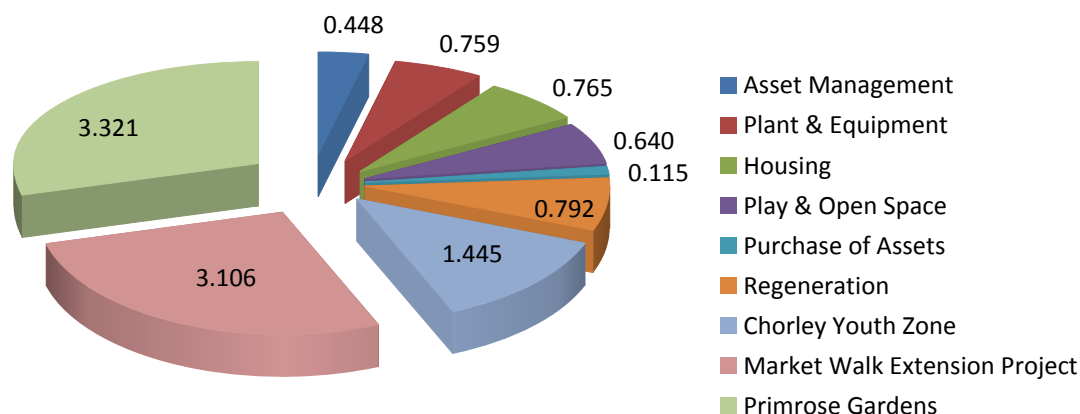
## SECTION B: CURRENT FORECAST POSITION – CAPITAL

47. Amendments to the 2017/18 to 2019/20 capital programme have been reported to Executive Cabinet through the quarterly monitoring reports. The capital budget for 2017/18 to 2020/21 was reported to Special Council on 27 February 2018, the current approved capital budget is as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Total Budget	17.411	26.040	4.441	1.096	48.988

48. Capital expenditure in 2017/18 was £11.391m. 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 2017/18 to 2020/21 budgets.

### Capital Expenditure 2017/18 £m



49. In-year expenditure on two capital schemes represented 56% of the £11.391m total 2017/18 capital expenditure:

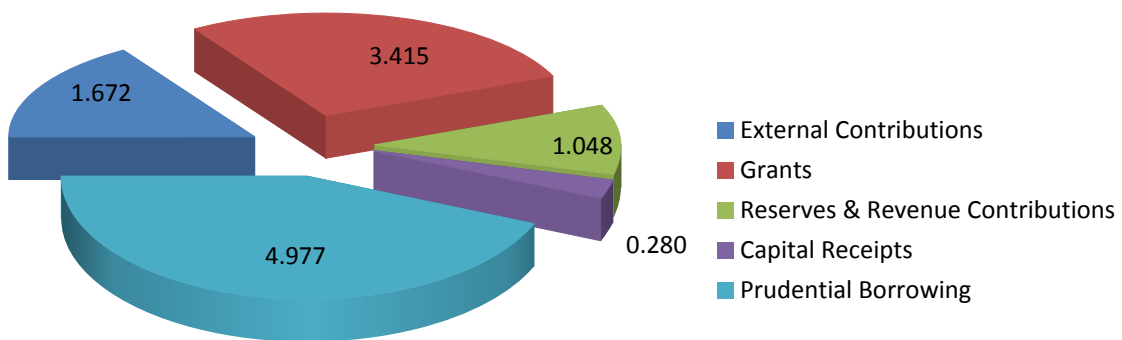
- £3.321m invested in the design and build of the **Primrose Gardens** Extra Care Facility. With £621k expended in 2016/17 on the purchase of the site, expenditure to date represents over a third of the forecast £10m project that will see the provision of 65 apartments for residents over 55 years old with a range of care needs.
- The total capital expenditure for the **Market Walk Extension** project was £3.106m in 2017/18. Significant works have been undertaken to the Flat Iron Car Park in 2017/18 including new drainage, paving and incoming services in order to prepare the site for commencement of the main build of the new shopping centre during 2018/19. The demolition of Oak House began in March 2018 and will create new car park spaces and ultimately a flexible event space for the town centre. Work also began on Friday Street car park to allow the construction of a decked car park, again adding additional car parking to support the town centre and new development.

50. In addition to the £3.321m investment in Primrose Gardens Retirement Village, the council invested £0.765m in Housing in 2017/18. The Council secured £658k external funding, with £200k match funding from the council, for the extension of **Cotswold House** supported housing for homeless families and individuals. £600k was spent in 2016/17 with an additional £142k in 2017/18 to complete the successful refurbishment and extension. The council continues to **adapt the homes of its residents with disabilities** spending £622k and utilising over £500k of disabled facilities grant funding in 2017/18.
51. On the 5 May 2018 the **£4.7m Chorley Youth Zone** opened its doors to youth aged 8 – 19 (up to 25 for those with disabilities). The Council's total contribution including the purchase of the land was £1.2m and was matched by £1.1m from LCC, with the remaining funding contributed by Onside. Expenditure in 2017/18 was £1.445m funded through approved borrowing and the £1.1m contribution from LCC.
52. The council spent £792k on regeneration projects in the borough including **£120k** works to **Steeley Lane** gateway, **£165k** expenditure relating to the new **Digital Office Hub** and **£506k** towards the restoration of **Bank Hall** which is a Heritage Lottery funded project.
53. Spend on plant and equipment included £465k of expenditure on new **ICT equipment** and software as part of the council's strategy to modernise its ICT infrastructure and improve the accessibility and efficiency of its services. Expenditure on new **bins** totalled £249k including £176k on garden waste bins as part of the subscription based service.

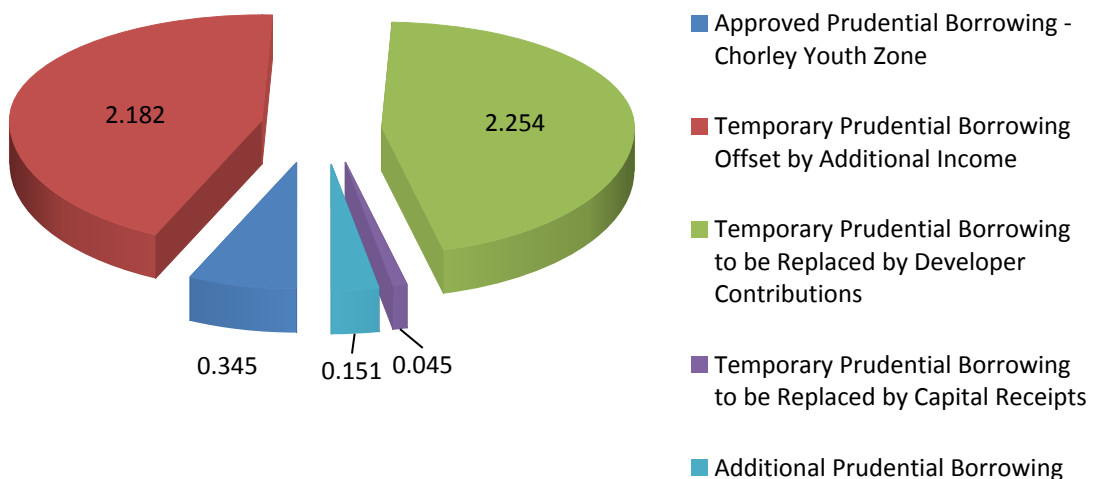
## Capital Financing 2017/18

54. The Council has invested in a number of key projects in respect of economic regeneration and housing, along with making a contribution to a scheme with the aim of making a significant impact on the lives of young residents. The Council has financed this expenditure through a number of different sources outlined in the charts below.

### Capital Financing 2017/18 £m



### Prudential Borrowing 2017/18 £m



## **£12m Grant Funding**

**£3.4m utilised in 2017/18**

The Council has been successful in securing total grants of £658k and £3.2m from Homes England towards the costs of improvements to Cotswold House and the Primrose Gardens development. A total of £1.173m was utilised in 2017/18 for these two projects. ERDF funding of £4.05m has been secured

to part fund the Digital Office Park with £82k utilised in 2017/18. The council will receive up to £2.2m from the Heritage Lottery Fund towards the renovation of Bank Hall in Bretherton, £506k was utilised in 2017/18. In addition the council received and utilised £1.1m from LCC towards the Chorley Youth Zone projects and will receive in 2018/19 £1m towards the development of Primrose Gardens.

The council has utilised over £400k of s106 contributions received from developers to fund improvements in various projects. These include £63k of improvements at Yarrow Meadows, play area improvements in Adlington, Whittle-le-Woods, Croston and many other sites across the borough. As at the start of 2017/18 the council had collected over £2.2m of community infrastructure levies (CIL) through the development of housing in the borough. £1.3m of this CIL has been allocated to the Market Walk Extension project and £1.1m has been utilised in 2017/18.

## **£1.6m External Contributions in 2017/18**

## **£4.9m Prudential Borrowing in 2017/18**

The Council used £4.977m of prudential borrowing to fund capital expenditure in 2017/18. The majority of this funding is temporary and will be replaced by other sources. £80k borrowing to fund works to the Digital Office Park and £1.9m borrowing to fund the Market Walk Extension project will be funded through future

income streams generated from these sites. The purchase of £175k of new bins relating to the introduction of subscription based garden waste collections will be funded through the income generated by the new scheme. £2.2m of prudential borrowing towards 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. Additional approved prudential borrowing of £115k was secured to fund the purchase of 1 Dole Road in March 2018.

## DIRECTORATE SPECIFIC CAPITAL PROJECTS

### *Customer & Digital - £1.315m*

55. To enable the organisation to deliver its corporate and transformation strategies the council has invested £391k in new **ICT infrastructure** and approximately £100k in creating more **'Worksmart'** space at Union St offices enabling more productive use of council assets. ICT infrastructure purchases in future proofing the council's assets and creating greater resilience included server hardware, back up and disaster recovery equipment along with the purchase of 320 thin client devices.
56. **ICT software** assets purchased in 2017/18 include £45k on software largely used by the Planning and Planning Policy sections and a further £29k on software necessary in the administration of the Revenues and Benefits section.
57. The council will receive up to £2.2m from the Heritage Lottery Fund towards the renovation of **Bank Hall** in Bretherton. In 2017/18 £506k of this funding was drawn down. Specialist contractors have been appointed and are on site. Excellent progress is being made with all salvaged stone from the site now identified and catalogued. The building has been cleaned and considerable rebuilding works have been achieved with significant areas now consolidated.
58. The council spent £50k in 2017/18 towards the improvements of the **path networks** at **Chorley Cemetery**. This is part of a £200k programme to make improvements to the pathways at both of the borough's cemeteries.

### *Policy & Governance - £1.495m*

59. The council received £1.1m from LCC towards the **Chorley Youth Zone** and that is included in the £1.445m contribution to project which opened in May 2018. Chorley Council's contribution was £1.2m including the purchase of the site. Chorley Youth Zone shall be owned and operated as the Chorley Youth Zone Charitable Trust (CYZCT) with Chorley Council as land owner leasing the land to CYZCT over a 125 year lease at a peppercorn rent.
60. £50k was spent on the **Astley 2020** project in 2017/18 which included £29k to fund various refurbishments within the Hall, £13k drainage works to Astley Park and £8k purchase of stage equipment to support the Astley events programme.

### *Early Intervention - £0.815m*

61. As of April 2017 the Council's **Disabled Facilities Grant (DFG)** programme was renamed the **Chorley Adaptation Grant scheme**, thereby giving greater flexibility in awarding grants to residents who might previously not have qualified for a grant under the DFG application process. Chorley's allocation from the Better Care Fund for 2017/18 was £666k with an additional top-up allocation of £63k having been received in Nov 2017. The cost of adaptations in 2017/18 amounted to £622k. Contributions from housing associations to support the capital works carried out to improve the homes of their tenants amounted to £75k meaning £547k of the DFG was utilised in 2017/18.

62. Final payments of £142k were made in 2017/18 in respect of the final phase of improvement works to be undertaken at the **Cotswold House** facility. Homes England grant of £106k was used to fund these works with £36k funded through prudential borrowing.
63. Investment in the council's leisure centres totalled £50k in 2017/18, this related to the resurfacing of the all-weather football pitches at Clayton Green.
64. The council will continue its commitment to improve the CCTV coverage across the borough. New installations are proposed at the Coronation and Harpers Lance recreation grounds, Hollinshead and Fleet St car parks, Tatton community centre and other areas in the borough. It is envisaged the costs of this equipment will be met through the council's asset management reserve.

*Business, Development and Growth - £7.767m*

65. As mentioned previously the two major projects underway in this Directorate have incurred expenditure of the following in 2017/18:
  - Market Walk Extension - £3.106m
  - Primrose Gardens Extra Care Facility - £3.321m

*Play and Open Space - £640k*

66. The council continues its commitment to securing great play and open space facilities by committing its own resources along with applying developer contributions in accordance with the authority's Play and Open Space strategy. As such, a number of schemes were completed in 2017/18 whilst ambitious improvements to specific recreation grounds are underway in earnest in 2018/19.
67. Works totalling £207k have been completed at **Yarrow Valley Country Park** car park including resurfacing and an overflow extension. From a previously estimated 90 spaces the car park now has 154 demarked spaces thus creating additional capacity to encourage the widely used facilities at Yarrow Valley.
68. £156k of developer contributions were transferred direct to **Parish Councils** in order that they procure directly with contractors in respect of improvements to Play Areas and Open Spaces within their wards. In 2017/18 this included £40k **Tansley Avenue** Play Area, £47k for the installation of new youth facilities and improved play equipment at **Mossie Close** Play Area, £25k towards improvements to **Station Road** Play Area and £44k contribution towards improvements to **Euxton Bowling Green**.
69. Other Play and Open space projects completed in 2017/18 include £53k improvements to **Osborne Drive** Play Area, £34k provision of new Toddler Play Area at **Jubilee Recreation Ground**. £86k was paid to LCC in completion of the road scheme around **Ranglett's Recreation Ground** where improvements of the Play Area had been completed in prior financial years. Improvements to footpaths at **Yarrow Meadows** (£63k) were funded with developer contributions earmarked for environmental improvements as part of a wider scheme of improvement works with a total approved budget of £171k.
70. Work is underway in 2018/19 on comprehensive improvements to the **Recreation Grounds** at **Harpers Lane** and **Coronation Recreation Ground**. Total planned investment in the two grounds is **over £600k** (£197k Harpers plus £439k Coronation). Funded from a combination

of resources including £211k Council resources, over £300k of developer S106 contributions and external funding pledged by Sport England (£50k) and the Lancashire Environment Fund. **Harpers Lane** will see improvements to the ball court, paths and fencing and railings to the bowling green with a toddler play area planned for phase 2 of the scheme. **Coronation Recreation** ground will have a broad array of improvements including an improved tennis court, a fitness trail and improved play facilities for both toddlers and older youths.

#### *Digital Office Park*

71. Expenditure on the Digital Office Park project totalled £165k in 2017/18. The main construction contract is signed with work expected to complete before May 2019. An update report was taken to the Digital Office Park Steering Group on 26 April 2018. Delays in starting the project and changes to some of the works resulted in changes to the expected project cost. As a result the council made a change request for funding to MHCLG

The result of the request for changes was a change to the funding profile of the project. Some of the costs of the project will not be funded through the ERDF grant as originally budgeted. These include the BREEAM costs and the costs associated with the delay in the start date of the main works. The costs are estimated at £600k and therefore £300k (50%) of this cost will be met through prudential borrowing

However, the council's medium term financial strategy included borrowing costs to meet the cost of financing up to £400k of internal works and furniture. These costs were not included in the capital programme as it was uncertain as to when these costs would be incurred or if they would be included as part of any lease agreements with new tenants. These fit out costs are now included in the ERDF funding allocation. As a result, the £400k financing set aside to fund fit out costs will be used to fund the BREEAM and cost from the delays. These changes are not forecast to impact the council's revenue budget.

### **ADDITIONS TO THE CAPITAL PROGRAMME**

72. It is requested that Council approve the following additions to the capital programme:
- a. In 2015/16 the council received £100k grant funding from the Ministry of Defence to develop a Garden of Reflection in Astley Park. The garden will be delivered in 2018/19 and so the budget for Astley 2020 has been increased by £100k.
  - b. The purchase of software outlined in paragraph 56 were originally charged to revenue. As these are capital costs they have been moved to the capital programme with the funding coming from the revenue budgets the costs were originally charged to. This requires a £73k increase in the capital budget for 2017/18.
  - c. The 2018/19 Chorley Adaptations budget has been increased by £66k to reflect the final DFG allocation of £732k for 2018/19 announced in March 2018.
73. New additions to the capital programme that have already gained approval include:

- a. £1.672m budget for the purchase of 10 properties for Syrian refugees as approved by Full Council on 15 May 2018. To be funded through prudential borrowing and financed through rental income.
- b. The report to Executive Cabinet on 14 December 2017 updated the play, open space and playing pitch strategy delivery with new projects. These have now been brought into the budget for 2018/19 resulting in an increase to the capital programme of £857k.
- c. The purchase of the former Hyatt building on Dole lane was approved by Executive Cabinet on 15 March 2018. The capital programme has been increased by £115k in 2017/18.

If all approvals to the capital programme are agreed the budgets will be as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Total Budget	11.391	34.020	4.441	1.096	<b>50.948</b>

#### CAPITAL PROGRAMME FINANCING 2017/18

Fund	Original Budget 2017/18	Quarter 1 2017/18 £'000	Quarter 2 2017/18 £'000	Quarter 3 2017/18 £'000	Quarter 4 2017/18 £'000	Change from Qtr. 3 £'000
External Contributions	7,217	7,259	6,695	3,499	1,672	(1,827)
Grants	7,794	8,046	6,823	8,038	3,415	(4,623)
New Homes Bonus	326	326	326	306	226	(80)
Earmarked Reserves	2,247	2,250	1,318	1,029	578	(451)
Revenue Contribution	20	20	20	157	243	86
Capital Receipts	1,226	1,226	1,231	775	280	(495)
Prudential Borrowing	12,730	12,478	6,513	4,912	4,977	65
<b>Capital Financing 2017/18</b>	<b>31,560</b>	<b>31,605</b>	<b>22,925</b>	<b>18,715</b>	<b>11,391</b>	<b>(7,325)</b>

74. The reduction in the forecast use of external contributions is mostly due the re-profiled Market Walk Extension budget into 2018/19 and 2019/20. The variance from quarter 3 is due to the re-profiling of the play and open space budget into 2018/19, most of which is s106 funded and will be utilised in future years.



75. The reduction in the forecast use of grant funding is due to the re-profiling of some of the council's major projects including Bank Hall, Primrose Retirement Village and the Digital Office Park.
76. The re-profiling of the Astley 2020, ICT refresh and play and open space projects into 2018/19 has resulted in lower final use of capital receipts and reserves in 2017/18. The commitments to spend have been rolled forward into 2018/19 are therefore the receipts and reserves will to be utilised in future years.

#### **IMPLICATIONS OF REPORT**

77. 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**

78. The financial implications are contained within this report

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

79. 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	06/06/18	***