

CABINET

THURSDAY, 21ST JUNE, 2018, 6.00 PM

SHIELD ROOM, CIVIC CENTRE, WEST PADDOCK, LEYLAND, PR25
1DH

AGENDA

1 Apologies for Absence

2 Minutes of the Last Meeting

(Pages 3 - 10)

Minutes of the last meeting held on 11 April 2018 attached to be signed as a correct record.

3 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

Cabinet Member (Assets and Transformation)

4 Property Investment Strategy

(Pages 11 - 22)

Report of the Director of Planning and Property attached.

Cabinet Member (Public Health, Leisure and Wellbeing)

5 First Phase of Campus Programme

(Pages 23 - 38)

Report of the Director of Neighbourhoods and Development attached.

Cabinet Member (Finance)

6 South Ribble Borough Council Budget Out-turn Report 2017/18

(Pages 39 - 60)

Report of Deputy Chief Executive (Resources and Transformation) attached.

Heather McManus
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Cabinet Councillors Mary Green (Chair), Caroline Moon (Vice-Chair), Warren Bennett, Michael Green, Rebecca Noblet, Susan Snape and Cliff Hughes

The minutes of this meeting will be available on the internet at www.southribble.gov.uk

Forthcoming Meetings

6.00 pm Wednesday, 11 July 2018 - Shield Room, Civic Centre, West Paddock, Leyland, PR25 1DH

MINUTES OF**CABINET****MEETING DATE****Wednesday, 11 April 2018****MEMBERS PRESENT:**

Councillors Peter Mullineaux (Chair), Colin Clark (Vice-Chair), Cliff Hughes, Phil Smith, Susan Snape and Graham Walton

OFFICERS:

Heather McManus (Chief Executive), Lisa Kitto (DCE (Resources & Transformation)), Dave Whelan (Legal Services Manager/Interim Monitoring Officer), Andrew Richardson (Assistant Director of Neighbourhoods), Rebecca Heap (Senior Community Works Officer), Jennifer Clough (Principal Economic Development Officer), Bernie Markham (Human Resources Advisor), Keith Molloy (Enterprise Manager), Mark Hodges (Partnership Development Manager) and Dianne Scambler (Governance and Member Services Team Leader)

**OTHER MEMBERS
AND OFFICERS:**

Councillor Mary Green, Councillor Michael Green, Councillor Alan Ogilvie, Councillor Margaret Smith, Councillor Jane Bell, Councillor William Evans, Councillor Derek Forrest, Councillor Paul Foster (Leader of the Opposition), Councillor Susan Jones JP, Councillor Keith Martin, Councillor Matthew Tomlinson and Councillor David Watts

PUBLIC:

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89 Apologies for Absence

An apology for absence was received from Councillor Jacqui Mort.

90 Minutes of the Last Meeting

RESOLVED (Unanimously):

That the minutes of the meeting held on 1 March 2018 be approved and signed as a correct record.

91 Declarations of Interest

There were no declarations of any interests.

92 Apprenticeship Factory Proposals

The Cabinet considered a presentation and the report of Director of Planning and Property which provided details of the proposals and phasing programme for the development of South Ribble Apprentice Factory, which was a key project within the Corporate Plan 2018 – 2023 to support economic growth and skills development within the council and across the borough and an important part of the City Deal. A copy of the development plan for the project was appended to the report.

The Cabinet discussed how the first phase of the scheme was also available to anyone currently working at the Council and that nominations would be identified through the performance appraisal process. This was an exciting project and was the next stepping stone in upskilling the workforce to meet market demands. The scheme had the capacity to grow and the Cabinet may have to consider a commitment for additional resources in the future.

Decision Made:

That:

- (1) the South Ribble Apprentice Factory Development Plan be approved;
- (2) the Apprentice Factory delivery timescale be aligned with the 'South Ribble Conference and Business Centre' development and future plans for Worden Arts Centre; and
- (3) the Chief Executive be granted delegated authority in consultation with the Cabinet Member for Regeneration and Leisure to implement phase 2 of the development programme.

Reasons for Decision:

The Apprentice Factory brokerage service would provide impartial, specialist support to employers, residents and young people planning their future careers by providing a comprehensive and complete range of skills interventions in a one-stop-shop. It would minimise duplication and address gaps in support. Internally, the Apprentice Factory will be a key component of the Organisational Development Strategy and implementation. It would provide a conduit for blended learning, supporting blended working.

Alternative Options Considered and Rejected:

The option to do nothing was considered. However, when the existing provision was mapped, it became obvious that there were gaps in provision, which needed to be addressed and opportunities to deliver skills targets within South Ribble in a new and innovative way. The 'do nothing' option would also fail to up-skill and develop staff within the council to meet the future challenges and needs of the organisation.

93 Housing Framework Delivery

Further to Minute No. 65 of the meeting held on 25 January 2018, the Cabinet considered the report of the Director of Planning and Property which provided details of the Housing Framework Delivery Plan following the recent approval of the South Ribble Housing Framework 2017-20.

The Cabinet discussed how the key actions identified within the Plan would help the Council to focus its resources and deliver increased housing numbers against the growth agenda.

Decision Made:

That the Housing Framework delivery plan be noted in accordance with the approved South Ribble Housing Framework 2017-20.

Reasons for Decision:

The Housing Framework Delivery Plan details how key actions within the recently approved South Ribble Housing Framework 2017-20 would be delivered reflecting current and future work streams. The Housing Framework reflected the Corporate Priorities in line with the Corporate Plan.

Alternative Options Considered and Rejected:

None. The Housing Framework identifies the actions to be undertaken during the period.

94 My Neighbourhood - Approach 2018/19

The Cabinet considered the report of the Director of Planning and Property which provided details of the proposed My Neighbourhood Plans for 2018/19 and an update on developments in the Council's My Neighbourhood approach.

The Cabinet thanked Rebecca Heap (Senior Community Works Officer) and her team for all their hard work in this process. There had been an acceptance that communications needed to improve to ensure consistency of the approach across the borough. This was being addressed with the production of Annual Reports and Bi-annual newsletters for each of the five Neighbourhood Areas that would keep everyone engaged and informed. The new approach would also better support councillor involvement in the community.

Decision Made:

That the My Neighbourhood Plans for 2018/19 be approved.

Reasons for Decision:

The Council had five My Neighbourhood Forums across the Borough, each with its own My Neighbourhood Plan, containing projects to deliver local priorities. The Plans contain a mixture of projects - high and low cost, long and short term delivery, and a mix of capital works and community based schemes.

A range of projects had been delivered in all of the My Neighbourhood areas. The Plans remain 'live' and have been updated as projects are completed. Reserve projects, i.e. ideas for inclusion on My Neighbourhood plans are continually sought via members and residents.

Alternative Options Considered and Rejected:

Each project contained in the My Neighbourhood Plans was subject to an options appraisal to assess value for money, delivery method and fit with the Corporate Plan.

95 The Leyland Truck Trail - 2017 Review/Evaluation and consideration of a

Leyland Truck Trail 2

The Cabinet considered the report of the Director of Planning and Property which provided details of the Leyland Truck Trail project undertaken in 2017 and sought the views of the Cabinet Members on supporting a second Leyland Truck Trail, in the light of the success of the Initial Leyland Truck Trail installation and the Place Promotion Marketing and Skills and Education programme.

Although it was accepted that the Truck Trail had been immensely successful particularly around engagement with schools across the borough to raise awareness of skill requirement in this sector, the Cabinet considered that a second truck trail would not have the same impact at this stage. Consultation with local businesses had been undertaken and feedback received had indicated that the new Apprenticeship Factory would address any future need.

Decision Made:

That the provision of Council support for a Leyland Truck Trail II in 2018 be refused as it is not considered to be the best use of Council resources at this time.

Reasons for Decision:

The Leyland Truck Trail as delivered in 2017 was a one off ‘event’ but the Council had consequently been approached for support in 2018 of a Truck Trail 2.

The Truck Trail 2017 delivered a successful and unique Place Promotion project that attracted a significant level of media coverage and helped focus attention on our local Truck building heritage and engineering capabilities. Beyond the value of the Truck Trail 2017 as a Place Promotion initiative, the schools skills programme linked to the project was very well received, engaged a large number of pupils and provided a genuine legacy to the project providing a basis for future related Stem (Science, Engineering Technology and Maths) work in South Ribble Schools.

Other Place Promotion opportunities are now our priority and in particular, promoting the delivery of major Projects in the Borough such as the Cuerden Strategic Site – Lancashire Central. The current focus on skills for the Council rests in further developing the Apprentice Factory project and this is now our priority, supporting skills development for existing and inward investing businesses in South Ribble.

Alternative Options Considered and Rejected:

The Promotion of South Ribble as the Best Place in the UK is now a Corporate Priority for the Council and in addition to this and associated marketing of the Borough as part of routine business, a further programme of Place Promotion activity is in development based on the provision of budget for this work in 2018/19 and related Corporate Priorities.

Further support for Stem based work with our local schools may become a feature of work associated with the recently approved central Lancashire Supplementary Planning Document for Employment and Skills and in addition the Cuerden Employment and Skills Plan as these emerge over the coming months.

Centre (formerly the Banqueting Suite)

Further to Minute No. 49a of the meeting of the Scrutiny Committee held on 8 March 2018, the Cabinet considered the report of the Director of Planning and Property which presented to the Cabinet the draft response to the recommendations of the Scrutiny Task Group's Review of the Business and Conference Centre (formerly the Banqueting Suite).

The Cabinet thanked the Chair Councillor Susan Jones and the rest of the Task Group and apologised for the lateness of their reply. It was also acknowledged that more detailed would be given in future when responding to recommendations made.

Decision Made:

That the draft response to the recommendations made by the Scrutiny Task Group and adopted by Scrutiny Committee, set out in Appendix A to the report be approved subject to the following amendments:

Recommendation 5:

Before any projects are approved. Cabinet requires assurance that adequate and appropriate resources, internally and/or externally, are identified and that sufficient funds are available, to meet stipulated delivery timescales.

Recommendation 9:

It is important that sufficient refreshments are available for those unable to visit their normal eating establishment.

Options for supplying and maintaining these services are already under consideration by officers, in the light of current contractual arrangements, and a report will be produced shortly to aid a decision on the best solution.

At this stage, re-constituting the Independent Member Remuneration Panel for the sole purpose, is considered unnecessary and premature until decisions have been made and there are other matters to address.

Reasons for Decision:

Following the Scrutiny review, it was the role of the Cabinet to consider the recommendations made and implement any action plan approved by them.

Alternative Options Considered and Rejected:

As part of the Scrutiny Task Group review, options had been considered and are detailed within the Business Plan, appended to the report.

97 Cabinet Forward Plan

The Cabinet considered its Forward Plan for the four month period from 1 May to 31 August 2018.

Decision Made (Unanimously):

That the Cabinet's Forward Plan be approved.

Reasons for the Decision:

To enable the Cabinet to consider and amend as appropriate its statutory forward plan.

Alternative Options Considered and Rejected:

There was no alternative as Section 22 of the Local Government Act 2000 required the Cabinet to set out its programme of work and key decisions in the coming months, as far as it was known, in a forward plan.

98 Exclusion of Press and Public

RESOLVED (Unanimously):

That the press and public be excluded from the meeting during the consideration of the following item of business as it involved the discussion of information defined as exempt from publication under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)' and in which the public interest in maintaining the exemption outweighed the public interest in disclosing it.

99 Business & Conference Centre (Formerly the Banqueting Suite)

Further to Minute No. 96 above, the Cabinet considered the report of the Director of Planning and Property which provided details of proposals to drive forward the development of the Civic Centre's commerciality, with particular focus on the existing 'Banqueting Suite', which includes the main meeting and function rooms, the onsite commercial kitchen and the former Coppice restaurant. A copy of the Business Plan for the commercialisation of the Civic Centre was appended to the report.

During the debate, the Cabinet discussed the merits of separating the work being undertaken at the Civic Centre and Worden Hall, as both projects were at different stages, the details of the soft marketing engagement process that would be undertaken and a commitment to the installation of a Hearing Loop within the new Business and Conference Centre.

Decision Made:

That:

- (1) the vision for the Civic Centre commercialisation and Phase 1 proposals, set out in the report be approved;
- (2) the name 'South Ribble Conference and Business Centre' be formally adopted;
- (3) That the business plan set in the appendix to the report be noted and approval be given to the recommended approach and the expenditure 2018/19 Capital Budget 2018/19 of £80,000;

- (4) the Capital Budget for 2018/19 be increased by £40,000 to fund the projected additional costs of the AV equipment and that this be funded from the projected underspend on the ICT budget for 17/18. Should this be insufficient to cover the full amount, the remaining costs will be funded from the 2018/19 ICT budget that has been approved within the Council's Capital Strategy; and
- (5) it be noted that the Cabinet will receive future reports on Fees and Charges, Business Plan and Phase 2 proposals.

Reasons for Decision:

To ensure that any adopted commercial model is sustainable and as a minimum can meet its operating costs (whilst acknowledging wider social value) and mitigate the revenue liability for the Council.

Alternative Options Considered and Rejected:

Details of two options to continue with current operation with no change or improvements to structure (status quo) and modernise the existing rooms to improve the environment and infrastructure; but seek a third party to operate the function suite and kitchen in entirety are set out in the report

Chair

Date

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Agenda Item 4

REPORT TO	ON	
CABINET	21 June 2018	
TITLE	PORTFOLIO	REPORT OF
Investment Property Strategy	Cabinet Member (Assets and Transformation)	Director Planning and Property



Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	No
Is this report on the Statutory Cabinet Forward Plan?	No
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to;

- (i) Seek approval for the revised Investment Property Strategy following meetings with the Council's appointed advisers Lambert Smith Hampton Investment Management (LSHIM). This report finalises the investment matrix and sets the ground rules for LSHIM to find appropriate investments to meet the Council's aims;
- (ii) Note development of two further complementary Investment Strategies, to support Economic Development/Regeneration and Housing.

2. PORTFOLIO RECOMMENDATIONS

2.1 Cabinet is asked to;

- (i) Approve the Investment Property Strategy as attached at Appendix A;
- (ii) Note development of two further complementary Investment Strategies, to support Economic development/Regeneration and Housing and consider at a future meeting.

3. REASONS FOR THE DECISION

3.1 The Council identified investment in commercial property as an opportunity to increase its income whilst protecting its capital in its Budget for 2017/18. An Investment Strategy and appropriate governance was developed over the following months and agreed at Cabinet on 6th December 2017. At that meeting it was agreed to procure specialist advice. LSHIM were subsequently properly procured and appointed in March 2018.

- 3.2 LSHIM met with officers to establish a common understanding of the opportunities that could be available and the practical challenges that would need to be addressed to meet the potentially tight timescales for decisions. On 25th April 2018 Chris Hornung, Managing Director of LSHIM, held workshops at Civic Centre with Members of the Cabinet and the Asset Working Group outlining the staged approach to identifying and selecting investment opportunities. The Investment Strategy has been revised following those workshops and is attached at Appendix A. Approving this Strategy at Cabinet enables LSHIM to embark on identifying potential opportunities and progression to investment.

4. CORPORATE PRIORITIES

- 4.1 The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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5. BACKGROUND TO THE REPORT

- 5.1 Investment in commercial property was identified as a potential sustainable income stream for the Council and £3.8m of balances was earmarked for such investment in 2017/18 budget. An Investment Strategy was developed in 2017 and agreed, after due consideration by Governance Committee, by Cabinet on 6th December 2017. LSHIM were then appointed as specialist advisers to support this policy.
- 5.2 The workshops held between the Council and LSHIM looked to finalise the criteria for investments and the decision making governance and timescales. At the outset it was agreed that this is just one element of the Council's property strategy that is solely for investment purposes. The key themes identified were that this funding is aimed at low risk, long term investments with a sustainable income stream that preserves capital. Two further strategies and funding will look at economic development/regeneration and housing.
- 5.3 Following a further discussion with LSHIM on the quality of investments available, it was identified that an increase in the funding available would generate better and more sustainable investment opportunities. General reserves increased at the end of 2017/18 due to an underspend on the 2017/18 budget. This provides Cabinet with the opportunity to consider increasing the funding available for property investment without impacting on the current medium term financial strategy. This additional funding would enable LSHIM to identify assets with better investment potential and a more sustainable income stream into the future. Cabinet are therefore asked to consider transferring £0.8m from the general reserve to the Property Investment reserve.
- 5.4 In considering this strategy, Members need to be conscious of investment in economic development/ regeneration and housing in the Borough. A further report will be brought forward on separate funding and investment plans to deliver on these objectives in due course. Effectively this will be a plan to utilise the City Deal Reserve of £1.6m and any additional funding which may be identified.
- 5.5 Members were re-assured by the rigour that LSHIM apply in identifying investment opportunities. The criteria for investing were discussed and are summarised in the

Investment Strategy in Appendix A. Only opportunities that meet these criteria will be progressed to Stage 2 of the process.

- 5.6 Section 5 of the Investment Strategy describes the 4 stages of the process. LSHIM undertake stage 1 which identifies potential opportunities that meet our criteria. Stage 2 is a short “thumbnail” description that is sent to officers at South Ribble to identify if there are any reasons that the investment should not be pursued. Stage 3 is the due diligence that LSHIM undertake looking at the full business case, standard of asset and location. If it passes their internal rigour and meets the business returns required, LSHIM will make a recommendation to bid for the property and a MAXIMUM price that could be paid. At this point South Ribble Borough Council need to approve LSHIM proceeding. The time to decide could be as little as 24 hours from this point.
- 5.7 The original strategy stated that Cabinet approval would be required to authorise the final investment. However, having met with LSHIM and received a greater understanding of the due processes undertaken, it is recommended that the authority to approve LSHIM making a bid is delegated to Section 151 Officer and Corporate Property Officer in conjunction with the Portfolio Holder.
- 5.8 If the offer is accepted and Heads of Terms issued, stage 4 commences. Exchange and completion could be set for within 10 to 15 working days. LSHIM will instruct and coordinate the relevant surveys required for the acquisition and will liaise with the appointed legal advisors. This will include a Building Survey, Environmental Survey and independent Valuation. Prior to exchange, a detailed Investment Report will be issued by LSHIM to South Ribble Borough Council which will provide a detailed analysis and cash flow of the investment but will also provide summaries of all 3rd party advisors reports.
- 5.9 Following completion LSHIM will continue to monitor performance and report to Members on a quarterly basis.

6. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

- 6.1 This investment strategy has been part of the Council’s 5 year financial strategy which was consulted widely upon. There were no issues raised.

7. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 7.1 This was one investment strategy identified for sustainable income. Other investment opportunities have been identified and funded through the Council’s 5 year Capital Strategy.

8. FINANCIAL IMPLICATIONS

- 8.1 The funding required to purchase investments is identified within the 5 year Capital Strategy approved by the Council on 28th February 2018. The report seeks Cabinet approval to the revised strategy to progress identification of investment opportunities.

9. LEGAL IMPLICATIONS

- 9.1 The original report identified some of the potential challenges of using borrowing to fund investment in property. However, the funds identified are from Council balances that are cash backed and not borrowings. Therefore there is no potential challenge at pursuing these investments.
- 9.2 The original strategy identified Cabinet to approve the investments identified via this approach. Following the workshops with LSHIM and a broader understanding of the process and due diligence involved, the report recommends delegation at that decision to section 151 officer and corporate property officer in conjunction with the Portfolio holder. There is a degree of speed required to give authority to bid to LSHIM. Whilst it would be possible to call

a Cabinet at short notice, delegating the authority to key officers will enable a smoother process. Reporting the decision to the next Cabinet ensures Members retain ownership of the policy.

- 9.3 Implementing this strategy creates the need to complete any successful transaction within 15 days. This could prove challenging and may require external legal support to achieve. Such support has been identified.

10. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

- 10.1 There are no direct human resource or organisational development implication with this report.

11. ICT/TECHNOLOGY IMPLICATIONS

- 11.1 There are no direct ICT implications at this stage.

12. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 12.1 Acquisition of investment property gives the Council an asset. A full business case is produced by LSHIM ahead of the final completion with all due diligence. Any asset will have long term tenants and minimal landlord maintenance requirement. Therefore there will be little initial impact on asset management. Eventually there will be requirements to conduct rent reviews and lease renewal that will need to be programmed into future plans.

13. RISK MANAGEMENT

- 13.1 As with any commercial investment there is a risk of potential loss of value. However, the strategy identified in Appendix A and the due diligence that will be undertaken by LSHIM looks to minimise that risk. Key factors include evaluating the tenant(s) covenant strength, investing only in assets with unexpired leases in excess of 5 years and good building condition. The latter is important to ensure the asset could be re-let or sold should the tenant fail.

14. EQUALITY AND DIVERSITY IMPACT

- 14.1 Implementing this strategy should have no impact on equality and diversity issues.

15. RELEVANT DIRECTORS RECOMMENDATIONS

- 15.1 The Investment Strategy, agreed with LSHIM, is recommended for approval by Cabinet.
- 15.2 Cabinet is asked to delegate the final approval to invest on LSHIMs recommendation to Section 151 Officer and Corporate Property Officer in conjunction with the Portfolio Holder.
- 15.3 Cabinet is asked to note development of two further complementary Investment Strategies, to support Economic development/Regeneration and Housing and consider at a future meeting.

16. COMMENTS OF THE STATUTORY FINANCE OFFICER

- 16.1 Investment in commercial property was identified as a potential sustainable income stream for the Council and £3.8m of balances was earmarked for such investment in the 2017/18 budget. An income target of £100,000 is included in the 2018/19 approved budget, rising to a challenging target of £300,000 for future years. Failure to meet this target will impact negatively on the longer term budget for the council.
- 16.2 Transferring £0.8m to the Property Investment Reserve from the General Reserve can be achieved without impacting on the council's medium term financial strategy due to the reported 2017/18 underspend that has not been factored into any financial plans. This increase in funding could also reduce the risk of under recovery of rental income. This would increase the total amount available to invest to £4.6m.
- 16.3 It is proposed that prior to the consideration of any investment opportunity by officers under delegation, the specialist investment advisors (LSHIM) will undertake due diligence on behalf of the Council. They will only make a recommendation with regard to bidding for the property if it passes their internal rigour and meets the business returns required.

17. COMMENTS OF THE MONITORING OFFICER

- 17.1 Legal services have previously advised on the Investment Strategy. In a nutshell we were comfortable with what was proposed.
- 17.2 It is clear that speed will be of the essence (at Stage 3 of the identified process) when it comes to making investment decisions in particular cases. Seeking a decision of Cabinet for all such decisions could be rather difficult in practice given the timescales involved. Hence on a practical level it seems sensible to proceed on the basis of the decision making powers being delegated as is proposed in the report.

18. BACKGROUND DOCUMENTS

Cabinet on 6th December 2017 Investment Property Strategy

19. APPENDICES

Appendix A Investment Strategy

**Jonathan Noad
Director of Planning & Housing**

Report Author:	Telephone:	Date:
Catherine Conroy	01772 625361	21 st May 2018

South Ribble Borough Council

**Commercial Property Investment Portfolio
Investment Strategy**

May 2018

Contents:

Forward

1/ Introduction

2/ Importance of Setting a Strategy with Clear Objectives and Governance

3/ Objectives

4/ Investment Strategy

5/ Acquisition Process and Property Selection Criteria

6/ Reporting

Forward

Lambert Smith Hampton (LSH) has been appointed by South Ribble Borough Council (SRBC) to act as Investment Manager in establishing a commercial investment portfolio. The objective is to create a balanced property investment portfolio, from which to derive a long term secure revenue stream. This report outlines what LSH perceive to be a prudent approach for SRBC to invest in commercial property and sets out the recommended investment strategy.

LSH is a leading specialist property consultancy with 31 offices and 1400 staff across the UK. LSH Investment Management (LSHIM) is the investment management arm of the business and will be directly responsible for this mandate.

LSHIM acts for Public Sector, Institutional and Private Investor clients wishing to invest in commercial property. Existing public sector clients of LSHIM include Watford Borough Council, Essex County Council and Mansfield District Council.

LSHIM operates independently of LSH. Whilst able to take advantage of the expertise and experience within LSH it is not obliged to do so and can therefore adhere to a policy of using only 'best in class' advisors and service providers in the acquisition and asset management of its client's investments.

1/ Introduction

The public sector as a whole has been suffering an unprecedented squeeze on capital and revenue budgets following central government “austerity” cuts in Local Authority funding over the last 9 years. SRBC, along with many other local authorities, has not been immune from these budget pressures and with the financial outlook unlikely to change in the short to medium term, the Council needs to find new and innovative ways of creating additional revenue.

In recent years local authorities have spent in excess of £1bn per annum on commercial property across the UK having implemented strategies to acquire income generating assets with the sole purpose of generating additional revenue to support public services. This is quite distinct and not to be confused with buying assets for regeneration purposes and/or promoting local employment. These assets have been purchased both ‘in and out of borough’ meaning that assets are purchased in many cases outside the administrative boundaries of the buying entity.

2/ Importance of Setting a Strategy with Clear Objectives and Governance

In building an investment portfolio, it is important that SRBC acts in a prudent manner, and is seen to be doing so, to ensure that the makeup of the portfolio will generate sustainable income streams, preserve value and provide an opportunity for capital growth. To do this, the following is needed:

- ☒ A clear portfolio strategy to achieve pre-agreed objectives.
- ☒ Rigorous evaluation of potential investments that will stand up to scrutiny, against a set of pre-agreed criteria.
- ☒ Investment decisions to be taken following professional advice and recommendations from LSHIM.

Cabinet will approve the Portfolio Strategy on an annual basis which is set out below under Sections 3 and 4 of this document. LSHIM will source suitable opportunities based upon the criteria meeting the portfolio requirements (Stage 1 of Acquisition Process set out under Section 5). These are the only opportunities to be pursued with the capital made available. LSHIM will issue SRBC a short summary of any suitable opportunities (Stage 2 of Acquisition Process set out under Section 5). The Council’s Corporate Property Officer in conjunction with the Section 151 Officer will respond to LSHIM within 48 hours.

If the response is to proceed, LSHIM will then undertake full due diligence on the investment and if appropriate make a recommendation to bid with a maximum price stated (Stage 3 of Acquisition Process set out under Section 5). Cabinet will delegate the authority to the Section 151 Officer and Corporate Property Officer in conjunction with Portfolio Holder for Assets to authorise LSHIM to bid for the asset up to the maximum recommended price. A response will be provided back to LSHIM within 48 hours.

The responsibility for ensuring that the acquisition and the on-going financial returns meet the performance targets is held by LSHIM which is a specialist role requiring a combination of property and financial skills and access to the property investment markets. LSHIM will maintain a portfolio overview and implement specific actions required and acquisition recommendations to meet the portfolio objectives. LSHIM will be responsible for the identification, selection, acquisition of stock and its asset management.

3/ Objectives

Below are the key objectives for the investment strategy:

- ☒ To invest in commercial property to generate a sustainable income stream, preserve value and provide opportunity for capital growth
- ☒ Low risk profile investing in core/core plus assets – typically long leases and better quality buildings
- ☒ Generate a gross income yield in excess of 4.5% across portfolio
- ☒ Manage risk across portfolio by diversification in asset type and geography
- ☒ Initial capital to invest £3.8M but if minded to develop the strategy, further capital may be provided to increase portfolio size

4/ Investment strategy

Value of Acquisitions

We recommend that the £3.8M initial capital available is used to purchase one single asset. Once purchase costs including stamp duty have been included, the sum available will be in the region of £3.5M. Acquiring smaller lots sizes of between £1M to £3M will generally mean the quality of the investments will not be of institutional grade quality i.e. let to strong covenants with long unexpired lease terms, meaning the key objectives set for the portfolio will not be met.

Capital available for investing is currently £3.8M. Although no decision has been taken to add to this level, it is important to consider when developing a strategy that more capital could be made available and this needs to be considered at the outset. As such, to accommodate further capital being provided and more acquisitions made, we recommend no single asset should comprise more than 20% to 25% of the overall portfolio target value and for a fund of between £3.5M to £20M, individual lot sizes should be in the region of £3M to £5M.

Portfolio Balance

It is important to invest in a range of assets and locations to achieve a balanced portfolio. We are aware that SRBC has a desire to source properties in the North West which we are happy to adhere to. However, should properties not be found matching the requirements after an initial 4 week period, then we will need to consider properties across the UK and in particular outside the North West. By investing in a range of assets and locations, this will provide a good degree of protection against geographical, sector and tenant specific risks, as well as enabling rental and capital growth in different locations and sectors of the market to be enjoyed.

The following sector allocations are recommended (figures in brackets represent the maximum quantum per sector):

- Offices (35%)
- Industrial (35%)

- Retail (30%)
- Alternatives (10%)

Target Rates of Return

We recommend a gross target return of between 4.5% to 6.5% on all acquisitions. As part of the due diligence process carried out by LSHIM, a detailed cash flow model will be developed for all acquisitions. This will ensure full visibility on projected returns.

Maintaining value of Properties in the Portfolio

LSHIM will develop an individual asset strategy plan for each property so that it meets the objectives of the portfolio, thereby ensuring income flow remains constant as far as possible and capital value is maintained.

Typically, LSHIM will recommend purchasing properties with sound fundamentals in the core/core plus spectrum which demonstrate the following fundamentals:

- ☒ Strong tenant covenant to meet rental liabilities;
- ☒ An average unexpired lease term of at least 5 years;
- ☒ Prime/good secondary locations meaning at end of lease term the property should re-let with minimum voids;
- ☒ The building will not become obsolescent;
- ☒ Opportunities during hold period for rental growth and capital value increases through active asset management i.e. lease re-gear, RPI/CPI and open market rent reviews, refurbishment.
- ☒ No investment in speculative development

Performance Measurement

The performance of the portfolio and each investment should be monitored regularly against targets and Key Performance Indicators (KPIs) of benchmarks. These should not be based on just return performance but include rent collection efficiency, arrears and building inspection frequency.

5/ Acquisition Process and Property Selection Criteria

The key tasks that LSHIM will perform in the acquisition of each property are summarised below:

- Asset selection
- Opportunity Overview (Light Bulb Summary)
- Property Inspection
- Market research
- Cash flow modelling
- Due diligence
- Recommendation to Bid Report
- Investment Recommendation Report

Stage 1:

LSHIM will source opportunities for acquisition, based upon the parameters set out in the above portfolio strategy. A scoring matrix will be used for initial evaluation to ensure uniform basis of appraisal across different asset classes and locations. The resultant score can then be assessed against a target measure or used for comparison against other opportunities.

Stage2:

Suitable opportunities will be issued by LSHIM to SRBC in a summary format which will ensure there are no conflicts of interest or any historical reasons preventing further due diligence. A decision back from SRBC will be needed within 24/48 hours.

Stage 3:

LSHIM will inspect the property and carry out further due diligence and build cash flow models to establish returns. Assuming the parameters for the portfolio are met, LSHIM will issue a Recommendation to Bid generally within 1 to 2 weeks outlining the key fundamentals along with the maximum recommended offer level. A decision back from SRBC will be needed within 24/48 hours.

Stage 4:

If the offer is accepted and Heads of Terms issued, exchange and completion could be set for within 10 to 15 working days. LSHIM will instruct and coordinate the relevant surveys required for the acquisition and will liaise with the appointed legal advisors. This will include a Building Survey, Environmental Survey and independent Valuation. Prior to exchange, a detailed Investment Report will be issued by LSHIM to SRBC which will provide a detailed analysis and cash flow of the investment but will also provide summaries of all 3rd party advisors reports.

Key to the above is the need for prompt responses by SRBC back to LSHIM, in particular at Stage 2 and 3. Accordingly, delegated authority pathways within SRBC need to be clarified and confirmed.

6/ Reporting

LSHIM will prepare a Quarterly Report on the performance of the portfolio and at each anniversary an Annual Report incorporating a review of the strategy for each property and the portfolio as a whole as well as a performance review.

**Chris Hornung MSc FRICS
Managing Director
LSH Investment Management
May 2018**

Agenda Item 5

REPORT TO	ON	
CABINET	21 June 2018	
TITLE	PORTFOLIO	REPORT OF
First Phase of Campus Programme	Cabinet Member (Public Health, Leisure and Wellbeing)	Director of Neighbourhoods and Development



Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to identify the initial 1st phase works of the Campus Programme, quantify the spending in 2018/19 and seek Cabinet approval to progress the work. Approval is also sought for the preferred procurement route for the leisure element of the Leyland Campus and seek authority to commence that.

2. PORTFOLIO RECOMMENDATIONS

- 2.1 Cabinet approve the schedule of works described in section 6 including Project Management, Green Infrastructure (Green links identified in Appendix C for 2018/19), Existing Built Assets, Leisure Facility and Sports Pitch Hub which are within the approved Capital Strategy and grant authority to spend on those schemes;
- 2.2 Cabinet endorse the procurement route for developing the leisure element of the Leyland Campus and approve the procurement of the development team via a single source, direct award framework as described in section 6.5. (Pagabo/perfect Circle Framework);
- 2.3 Cabinet authorise the commencement of work on the Leyland Campus Master Plan including public consultation which will then be submitted to Planning Committee at a later date.

3. REASONS FOR THE DECISION

- 3.1 Council approved the Capital Strategy on 28th February 2018. Development of campuses is a key element of the Health and Wellbeing priority within that Strategy. Cabinet approval is required for the detail within the overall Strategy to allow expenditure to be incurred in 2018/19 and progress to be made.

- 3.2 The appointment of a development team for the leisure element of the Leyland Campus is essential to move the project forward. Without this the project and hence the whole programme would stall. The single source direct award from a framework is the best route for the Council to secure the wide range of services required. This route will ensure compliance with Official Journal of European Union (OJEU) procurement process, secure best value and enable the Council to move forward. This route will also build in flexibility for the Council to adjust the resources required as the project evolves.

4. CORPORATE PRIORITIES

- 4.1 The report relates to the following corporate priorities:

Excellence and Financial Sustainability	
Health and Wellbeing	X
Place	

Projects relating to People in the Corporate Plan:

People	
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5. BACKGROUND TO THE REPORT

- 5.1 Health and Wellbeing is a major priority within the Council's Corporate Plan. This programme has evolved with the development of the Campus programme for South Ribble. A Cross Party Member Working Group worked with Officers to develop the Campus Concept for the Borough. This high level concept was agreed at Cabinet on 6th December 2017. It involves leisure investment but is much wider. A key outcome to improve health of our residents is to increase their participation in physical activity. Members of the Working Group recognised that this is wide ranging and would require investment in the great green assets in the Borough and the links between them making it easier to access and use them for walking, cycling and other outdoor pursuits. It also recognised that investment is required in leisure facilities and there is a positive business case to do the 1st stage.
- 5.2 For the full benefit to be derived, many key partners need to come together to bring about step change. However, Members have examined options to use Council investment to start the programme. The programme proposed makes investments in green infrastructure, existing assets and delivers a new leisure facility as the first part of a Leyland Campus.
- 5.3 The Capital Strategy includes a 5 year programme that will make a significant improvement for residents. This report sets out the proposed detailed spend in 2018/19 and the outcomes that will be delivered from that expenditure.
- 5.4 Delivery of the leisure element of Leyland Campus is a major project in its own right. A wide range of skill will be required to move forward to design, plan and deliver the scheme over the next 3 years. This report looks at the how to deliver the necessary skill to achieve the desired outcomes and the appropriate procurement route.
- 5.5 Work is on-going with Sport England at a national level to link with their agenda and emerging themes. The Campus proposal is much more than specific leisure schemes and looks at comprehensive action to improve health outcomes for all of the residents. Sport England, as part of a national agenda, are looking at how they fund wider activity to increase health outcomes as well as participation.

- 5.6 Growth proposals in the Local Plan and involvement in City Deal means that across South Ribble and Preston we will see more than 20,000 new private sector jobs, and over 17,000 new homes built. This growth brings opportunity and challenge. Our services and amenities equally need to respond to the challenge of growing demand and expectations. The “Campus Programme” is pro-active action to provide services that are more effectively joined up, to use resources to best effect and to deliver improved outcomes for the people of South Ribble. This is seen as a positive contribution to City Deal.

6. PROPOSALS

- 6.1 The complete capital strategy for the Authority is shown in Appendix A. The programme for 2018/19 for Health and Well Being is shown in the table below. Cabinet approval is required for specific spending within these agreed provisions.

Health & Well being	£000's
Project Management	50
Green Infrastructure	400
Existing Built Assets	400
Leisure Facility	100
Sports Pitch Hub	1,000
	1,950

The following sections describe the detailed proposals within these categories. Cabinet approval is sought for each part. The proposals before Cabinet are specific and can be delivered. They do not amount to the whole programme as further work on specific proposals is required before Cabinet can make an informed decision. These proposals will come forward in due course.

6.2 Project Management

- 6.2.1 Approval is sought to appoint a Programme Director for the Campus Programme. This role will oversee the whole programme fulfilling all client side responsibilities as well as specifically leading on the new build projects. This role is key to supporting the Deputy Chief Executive (Growth & Regeneration) as lead officer. The roles and responsibilities of such a post are shown in Appendix B.

6.3 Green Infrastructure

- 6.3.1 The overall programme for improving green links was highlighted in the business case approved by Cabinet on 6th December 2017. A strategy called “Our Green Links” has been developed to identify the key elements that will be carried out, materials to be used, wayfinding signage and the immediate priorities. This forms the basis of the quality required from the contractor procurement.
- 6.3.2 An initial 3 year work programme has been drawn up for areas that have a long standing need for improvement. £275,000 has been earmarked for the current year and the programme outlines below.

	£000,s
Penwortham to Bamber Bridge (Inc. Longton)	97
Bamber Bridge LC via Withy Park to Tennis Centre	16
Ribble Link and connection to Central Parks	36
Central Parks	126

- 6.3.3 The detailed schemes have been drawn up by the in-house team and will be the basis of procuring a contractor to deliver. A summary of each of the above is shown in Appendix C (i), (ii), (iii) and (iv).
- 6.3.4 Penwortham Holme Recreation Centre has been out of commission for the duration of the 2017/18 playing season. The site is identified in the 2012 Central Lancashire Playing Pitch Strategy (CLPPS) as a site of 'Regional' significance for the development of football, particularly junior football. As a key strategic site, the venue is in need of significant investment, both to the playing pitches and changing accommodation. A feasibility study from a playing pitch point of view has been undertaken. An initial assessment of the natural turf pitches has identified that the site suffers from inadequate drainage, which causes them to be inaccessible during winter months i.e. when there is most demand. In previous years limited access has been afforded to the playing pitches between the end of October and early March.
- 6.3.5 New and improved drainage would restore the pitches to previous levels and allow for substantially more use of the facilities during the playing season. This site will remain a major strategic playing field site within the current Strategic Asset Review. Investment to improve usage will help inform the Playing Pitches Strategy that is currently underway. The cost to provide and install a new drainage system for the whole site would be in the region of £125,000. It is essential that these works are carried out in July and August so procurement will commence immediately.
- 6.3.6 Concern has been raised about the impact of such work in areas that are liable to flooding. The drainage system will NOT prevent flooding but will deal better with normal rainfall and allow greater use. In terms of flooding The Environment Agency are proposing to deliver a flood defence scheme to protect Preston and South Ribble from future flooding. The scheme will extend from Preston Docks and as far up the River Ribble to the M6 Bridge at the Tickled Trout and up the River Darwen as far as Higher Walton. The scheme is intended to protect up to 2130 domestic properties, around 600 commercial properties and 1000's more commercial properties indirectly as well as protecting some vital road and rail links. The overall area benefitting from the scheme would be around 9km² and would be undertaken at 5 named locations with the Penwortham Holme area being one of them.

6.4 Existing Built Assets

- 6.4.1 Worden Hall needs some immediate works to make the building secure and water tight. It will need some roof repairs as well as fixing the interior. An allocation of £50,000 is required for this work. Full quotes will be obtained and work carried out over the summer. Members are keen to establish wider uses of the Hall. This is part major project and it is looking at increasing uses within the buildings. As part of the Scrutiny Review, an award is pending subject to consultation to develop a programme of works required to facilitate the wider use of the hall. This business plan will be reported to a meeting later in the year and approval for the works sought.
- 6.4.2 Farmyard Cottages require re-roofing and rendering. This was part of a previous programme and the work was identified and a procurement exercise undertaken. £45,000 sought to complete this work.
- 6.4.3 Withy Grove Park has been improved and has been completed this year within the carry forward funding. Green Flag inspection has been undertaken and the outcome is awaited. However, the public toilets require a refurbishment and £20,000 is sought from this provision to improve the facility in 2018/19.
- 6.4.4 Penwortham Holme existing pavilion is out of commission following vandalism. It is estimated to cost approximately £75,000 to re-instate. However, the current building configuration does not allow for the continued growth of the site and a full refurbishment would need to be undertaken. Design works are being undertaken to

ensure that the building can accommodate future growth and an initial scoping exercise was undertaken to cost up a refurbishment. The new facility will provide for the large numbers of young people using the playing fields and contribute positively to the Council's emerging Playing Pitches Strategy. Detailed proposals and costs will be brought forward for approval at the next meeting.

6.5 **Leisure Facility**

- 6.5.1 At the outset, the route to construction of the leisure facility within the Leyland Campus needs to be considered. It is essential to South Ribble Borough Council that the design of the facility is determined at the outset and approved by Members. It will encompass the key facilities previously outlined and any emerging requirements. Members, residents and other key stakeholders will be fully engaged in the process over the next 12 months. Once the design is finalised, the cost of that facility will be determined and fixed and planning consent will be sought. A contractor will then be procured to build that facility and costs managed closely against that plan. Further approval will be sought at that time for the procurement route for a construction contractor. This process will ensure that the Council get the facility it wants at the best price.
- 6.5.2 To move forward on this project the Council needs to procure a comprehensive development team as it does not have the skills in its structure to develop such a scheme. It needs a wide range of construction related professional services to design the buildings, develop detailed costing and carry out all of the necessary construction related works to submit a detailed planning application. It would be sensible to include the option for that team to assist with contractor procurement by writing tender documentation for example and potentially on-going contract management. The range of skills could include:
- Civil, Structural and Highways Engineering
 - Building Services Engineering
 - Bid Writing Services
 - QS, Project and Programme Management and Lead Consultant
 - Sustainability and Environmental
 - Architectural Design
 - Landscape Architecture
 - Site Supervisor / Clerk Of Works
 - Building Surveying
 - Water
 - Sport and Leisure
- 6.5.3 The Council could procure each of these disciplines individually. However, it does not have the necessary skills in-house to specify and evaluate such a process and it could be very time consuming. In recognition of the challenges of procuring construction related professional services to many public sector organisations, some frameworks have been established that enable the procurement of a lead consultant who would bring together the range of services and manage the delivery of the whole programme. The Council has identified two separate frameworks both of which have

been procured in accordance with Public Procurement legislation and are available for South Ribble Borough Council to use compliantly without entering a separate procurement process. The two frameworks that have been looked at are:

- Pagabo's national framework for Professional services in Construction and Premises , Lot 1 awarded to Faithful and Gould;
- Scape's Built Environment Consultancy Services framework awarded to Perfect Circle. Perfect Circle are a joint venture between Pick Everard, Gleeds and Aecom.

Both frameworks provide a compliant route to market and can provide the full range of services to meet the Councils requirements.

- 6.5.4 Officers have met with both Pagabo and Perfect Circle to establish how the framework would work in South Ribble. Following the meetings both were asked to give examples of specific projects and answers to some questions on costs. Having reviewed the presentations and the follow up information, further work is being undertaken to seek testimonials from authorities who have used both frameworks.
- 6.5.5 In order to shape the Leyland Campus and allow for meaningful engagement with the public and stakeholders it is proposed to develop a Masterplan. The masterplan would be produced early in the process and include stages of production the same as a Supplementary Planning Document. This will enable the document to be adopted for Development Management purposes and therefore carry significant weight in terms of shaping the area. The aim is to draft, prepare and consult on a document over the summer period with a view to completion and adoption in the late Summer or early Autumn.
- 6.5.6 Members will remain fully engaged with the process and a full timetable will be reported once the team are engaged formally.

6.6 **Sports Pitch Hub**

- 6.6.1 Development of an artificial grass sport pitch facility is key to the delivery of the Council's emerging Playing Pitch Strategy and a major part of the wider campus programme. The majority of the funding allocated in the programme is to acquire a site to develop the hub. However, some funding (£30,000) needs to be released to develop the feasibility of the hub and the impact on other major pitch sites in the Borough.
- 6.6.2 When the work outlined above is completed, final site details will be determined and acquisition pursued. This is subject to commercial confidence at the time of writing and the funding identified in the programme is only an indication of the potential price.
- 6.6.3 Once the site is determined and an interest acquired, a full design process will need to be commenced. The multi pitch facility will be delivered in conjunction with Sport England, Football Association and other funding bodies to maximise impact in the community and funding sources to mitigate the costs to South Ribble residents. The design team will therefore need to be procured jointly with these potential funding bodies. An appropriate procurement process will be followed once the site is confirmed.

7. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

- 7.1 Extensive consultation was carried out on the Council's 5 year Corporate Plan in which Health and Wellbeing is a key priority and Campus delivery a key outcome. The Central Parks programme was developed in consultation with key stakeholders and the design of the green links reflects the views of key stakeholder.

- 7.2 Again the Campus concept is not purely about leisure. However, in the Resident Survey showed the following results.

Table 9: And, thinking about the different types of services that are provided by South Ribble council, which do you think most need improving?

	%
Street cleaning	34
Sport and leisure services	21
Waste collection	16
Parks and open spaces	16
Customer service	13
Recycling collection	12
None of the above	31

That survey also showed that 62% of residents were satisfied with sport and leisure facilities compared to 64% nationally which is the only indicator which scored below the national average.

- 7.3 Consultants were engaged as part of the One Public Estate (OPE) funding to liaise with partners and draw up an overall plan for the West Paddock area that could meet partner expectations and deliver a full Campus model. That work was shared with Members in the High Level Business Case that supported the Cabinet report in December 2017. This work is now forming the basis for developing a formal masterplan for West Paddock. This will be developed over the coming months and have full consultation with the community.
- 7.4 The development of the Leyland leisure facility will include full public consultation as the design evolves as part of pre-planning consultation and those views will be incorporated into the final design submitted for planning consent in 2019.

8. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 8.1 This report defines the priorities for spending in 2018/19. Other packages of work have been identified but will come forward as further funding is released.

9. FINANCIAL IMPLICATIONS

- 9.1 The schedule of works for which approval is sought is within the Capital Strategy approved by the Council on 28th February 2018. The report seeks Cabinet approval to incur expenditure on this programme of works in line with Council procedures.

10. LEGAL IMPLICATIONS

- 10.1 The report identifies approvals to incur expenditure in line with the Council procedures. Proper procurement routes will be followed to secure contractors for the green links and construction works.
- 10.2 Section 6.5 discusses at length the procurement of a development team to deliver the new leisure facility in Leyland. Use of a framework is an appropriate route to secure the skills to deliver this project. The Council have authority to use the framework recommended and this has followed proper procurement advice.

11. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

- 11.1 At this stage there is no direct human resources issues. The schemes identified will be managed under the Council's project management processes and will help develop and integrate the new ways of working.

12. ICT/TECHNOLOGY IMPLICATIONS

- 12.1 There are no direct ICT implications at this stage. Support on the utilisation of new technologies within the new facility may be required further down the design route.

13. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 13.1 Investment in the green infrastructure will create some additional maintenance issues within the Council ownership. However, the "Our Green Links" Strategy looks to minimise the impact and accommodate it within the existing resources.

- 13.2 Investment in Penwortham Holme drainage will bring the playing pitches back into use and accommodate over 1000 children playing non-competitive football each weekend in a managed controlled environment providing for all U7's and U8's Football across the Central Lancashire footprint, with close on 100 teams using the facilities. Proper drainage will allow for the management and maintenance regime to be delivered.

- 13.3 The damaged Pavilion is currently out of use and continues to deteriorate. Allocating the funding in this report will bring the facility back into use and will ensure that there is proper, 21st century provision for the 1,000's of young players using the facility. It will also have a positive impact on future maintenance liabilities to the Council. The modernised facility will reduce annual maintenance.

14. RISK MANAGEMENT

- 14.1 A key risk to delivery of the Campus Programme and resident expectation is stalling the start of the design of the leisure element of the Leyland Campus. Approving recommendation 16.2 mitigates this risk and allows the Council to proceed but with flexibility to control costs.
- 14.2 Cabinet release funds to deliver the detailed schemes within this report in line with the previously approved High Level Business Case. This decision allows procurement of a contractor to deliver the works for the green infrastructure immediately after Cabinet. Any delay in this decision could lead to the whole programme being delayed and not delivered in 2018/19.
- 14.3 Currently Penwortham Holme Recreation Centre is unusable with a damaged deteriorating pavilion. Approving the expenditure within this report mitigates that asset deteriorating further but, more importantly, will enable an effective junior football programme within the Borough next season. With any build programme there is a risk that costs will increase. This has been mitigated by the design expertise used and will be effectively project managed.
- 14.4 Two major risks to the whole Campus Programme is delay in delivering the expected outcomes and increasing costs. A significant mitigation is strong programme management. The report recommends the appointment of a Programme Director with extensive experience to support the in-house project team to help deliver on this.

15. EQUALITY AND DIVERSITY IMPACT

- 15.1 The whole Campus Programme is about improving access for all green spaces, parks and leisure opportunities. The design of the green links will meet the highest accessibility standards and the new facilities will enable a wider provision of leisure and cultural activities. An equality Impact Assessment will be undertaken throughout the project.

16. RELEVANT DIRECTORS RECOMMENDATIONS

- 16.1 Cabinet approve the schedule of works described in section 6 including Project Management, Green Infrastructure (Green links identified in Appendix C for 2018/19), Existing Built Assets, Leisure Facility and Sports Pitch Hub which are within the approved Capital Strategy and grant authority to spend on those schemes;
- 16.2 Cabinet endorse the procurement route for developing the leisure element of the Leyland Campus and approve the procurement of the development team via a single source, direct award framework as described in section 6.5. (Pagabo/perfect Circle Framework);
- 16.3 Cabinet authorise the commencement of work on the Leyland Campus Master Plan including public consultation which will then be submitted to Planning Committee at a later date.

17. COMMENTS OF THE STATUTORY FINANCE OFFICER

- 17.1 The budget for this proposal has been agreed as part of the Council's capital programme. The appointment of a consultant to support the design process will provide the council with an opportunity to review detailed costs of the proposal against the available funding before progressing to the next phase. Any variation in costs and funding will need to be considered at that time.

18. COMMENTS OF THE MONITORING OFFICER

- 18.1 Please see the legal implications section above. Clearly our campus programme is an ambitious one with significant expenditure attached to it. Any contractual documentation to be entered into will be thoroughly checked by Legal Services. Clearly we must ensure that we comply with procurement rules throughout. In this context the proposal to appoint a development team to secure the delivery of a new leisure facility through a framework agreement is entirely appropriate. The successful delivery of this programme as a whole will require effective liaison between internal staff and external contractors/consultants. Effective project management is essential.

19. BACKGROUND DOCUMENTS

Cabinet on 6th December 2017	Health, Leisure and Well-Being Campuses
Cabinet on 25th January 2018	Financial Case for Health, Leisure & Well Being Campus Programme

20. APPENDICES

Appendix A	Capital Strategy 2018/19 to 2022/23
Appendix B	Programme Director for Health and Well Being in South Ribble
Appendix C (i)	ROUTE 1
Appendix C (ii)	ROUTE 2
Appendix C (iii)	ROUTE 3
Appendix C (iv)	ROUTE 4

Jennifer Mullin
Director of Neighbourhoods & Development

Report Author:	Telephone:	Date:
Noel O'Neill	01772 625361	26 th April 2018

Appendix A

CAPITAL STRATEGY 2018/19 TO 2022/23

Corporate Priority	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
<u>Health, Leisure & Well Being</u>						
Project Management	50	100	100	50	50	350
Green Infrastructure	400	600	500	500	500	2,500
Existing Built Assets	400	400	400	400	400	2,000
New Leisure Facility	100	1,000	13,000	900		15,000
Sports Pitch Hub	1,000	2,000	1,600			4,600
<u>Place</u>						
Masterplanning & Regeneration of key areas	100	500	750	750	400	2,500
Affordable Housing	500	500	500	500	500	2,500
Disabled Facilities Grant	550	550	550	550	550	2,750
Private Sector Housing	200	200	200	200	200	1,000
South Ribble Partnership	24					24
<u>Excellence & Financial Sustainability</u>						
Information Technology Programme	150	150	150	150	150	750
Vehicle Replacement Programme	300	1,200	150	400	400	2,450
Corporate Buildings	50	150	150	100	100	550
- Banqueting Suite	80					80
- Civic Centre	200					200
- Depot	70					70
Investment Property	2,500	1,324				3,824
Carry Forward Schemes not yet completed	1,477					1,477
CAPITAL STRATEGY	8,151	8,674	18,050	4,500	3,250	42,625

Programme Director for Health and Well Being in South Ribble

Purpose of the programme director role

The programme director is the client-side representative, acting as a single point of contact with Project Managers for the day-to-day management of the interests of the client organisation. This role will act as liaison with Deputy Chief Executive, Senior Responsible Officer (SRO), for the whole programme. The Programme Director may perform some of the duties of SRO on a day-to-day basis.

The Programme Director will set out the deliverables of the Programme for the next 5 years and act as a focal point between the business and the Project Managers ensuring delivery and reporting to Members as appropriate. The role is responsible for ongoing management to ensure that desired programme outcomes and objectives are delivered.

Specific responsibilities of the programme director

The programme director is responsible for:

- ensuring an appropriate programme and project management framework is in place;
- preparing the programme brief, project initiation documents and business case among other documents;
- appraising options and submitting for approval in a timely manner;
- securing appropriate resources and expertise as required to deliver the programme;
- determining and managing risks to the programme;
- managing the programme budget;
- establishing formal reporting arrangements on programme progress;
- management of change control of the programme or projects;
- assisting the Project Manager to resolve any problems that arise and escalate matters that need further decisions;
- reviewing detailed reports on the programme from the Project Manager ensuring decisions are made in a timely manner;
- promoting regular dialogue with contractors solve problems and minimise costs.

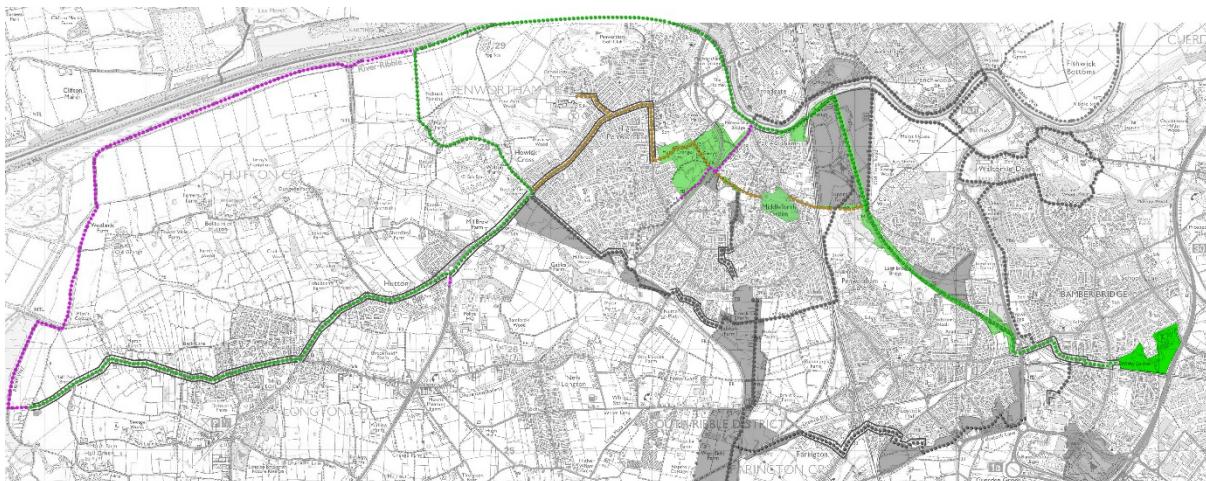
Skills and attributes needed by the programme director

The Programme Director should be able to:

- demonstrate extensive experience of managing large programmes;
- apply quality management principles and processes;
- apply risk assessment and management principles and processes;
- network effectively, negotiate well and influence people;
- broker relationships with stakeholders within and outside the programme;
- be aware of the broader perspective and how it affects the programme;

Appendix C (i)

ROUTE 1 - PENWORTHAM TO BAMBER BRIDGE, INCLUDING LONGTON AND MIDDLEFORTH



BUDGET **£97 000**

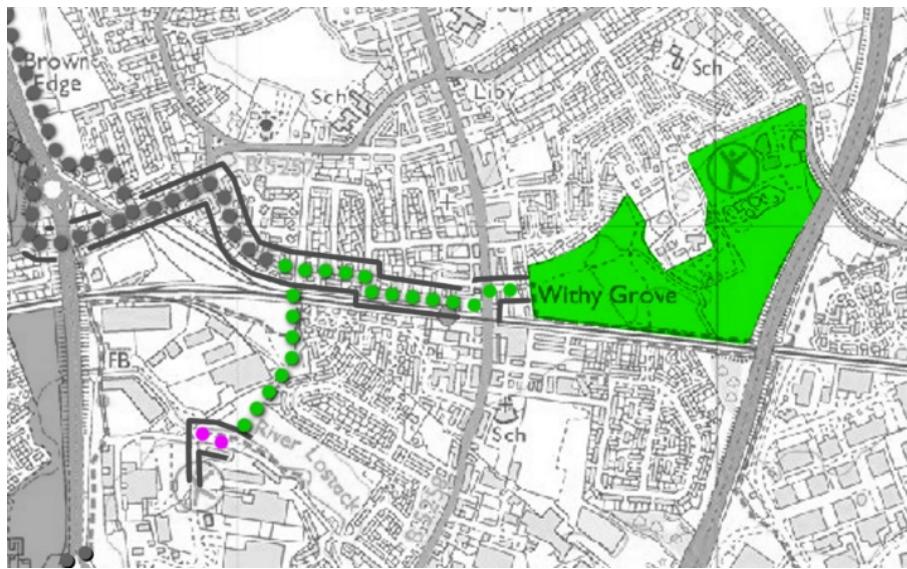
• Path improvements	40 000
• Road crossing upgrades	34 000
• Surface markings	5900
• Entrance improvements	4500
• Signage	<u>12 600</u>
	97 000

OUTCOMES

- Increased numbers of walkers, cyclists and horse riders in all age groups, using the routes for work, leisure and events
- Increased accessibility for disabled users joining public rights of way at access points from highways
- Integration into proposed Penwortham initiatives including the Penwortham Cycle Loop and town centre improvements
- Encouraging sustainable links to Western Parishes
- Installation of new signage to create cohesive routes and improve legibility of directions and destinations
- Install interpretation material in key locations, integrated with online information using new and existing web sites

Appendix C (ii)

ROUTE 2 - BAMBER BRIDGE LEISURE CENTRE VIA WITHY GROVE PARK TO TENNIS CENTRE USING MEANYGATE

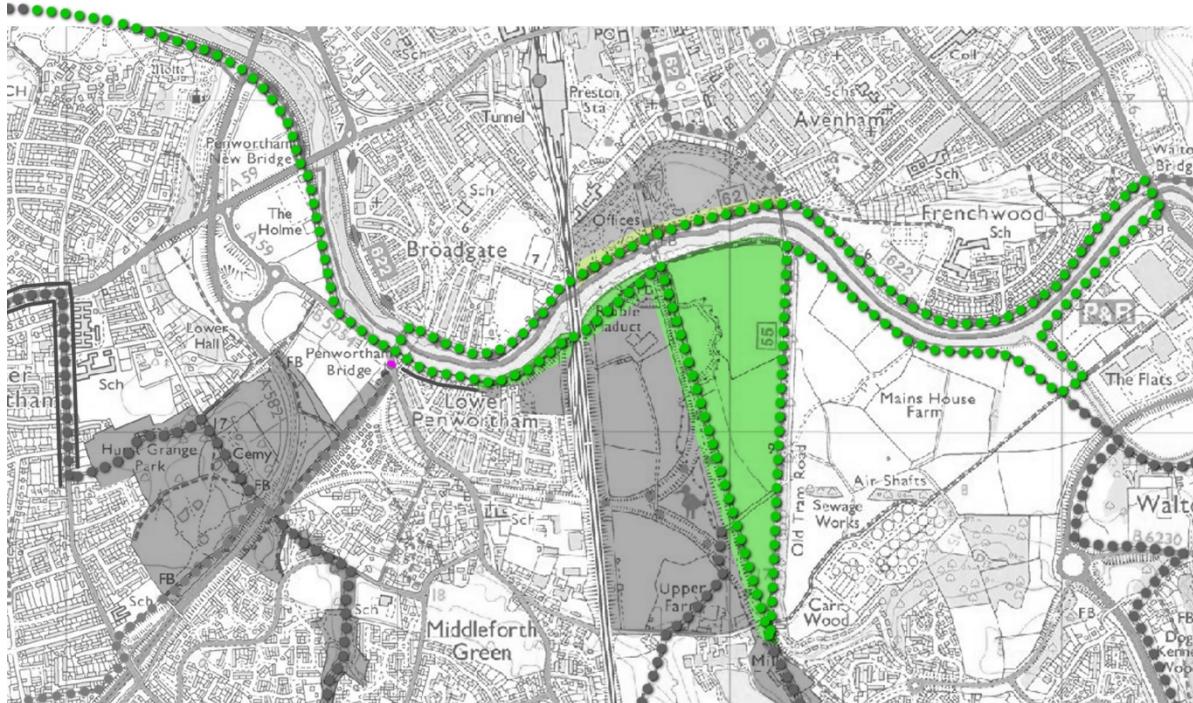


BUDGET	£16 000
• Signage and surface markings	11700
• Bridge improvements	2500
• Vegetation improvements	<u>1800</u>
	16 000

OUTCOMES

- More attractive and safer links for walkers and cyclists from the park to the leisure centre
 - Increased accessibility for disabled users at access points from highways
 - New signage to improve legibility of directions

ROUTE 3 - RIBBLE LINKS AND CONNECTIONS TO CENTRAL PARKS



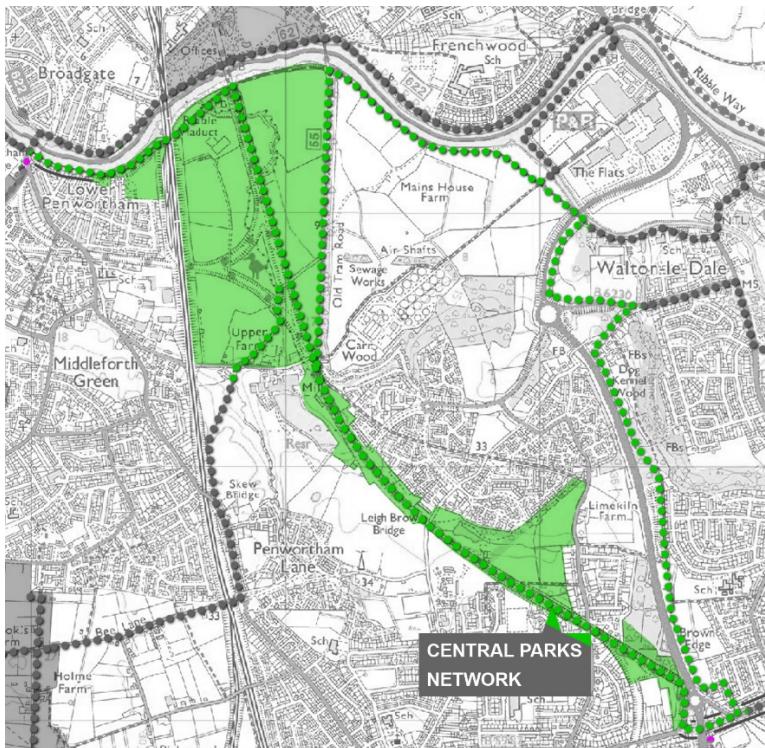
BUDGET	£36 000
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• Path improvements	18 000
• Signage	11 650
• Vegetation improvements	<u>6350</u>
	36 160

OUTCOMES

- Increased numbers of walkers, cyclists and horse riders in all age groups, using the routes for work, leisure and events
- Increased accessibility for disabled users joining public rights of way at access points from highways
- Increased activity and projects managed by volunteer groups in conservation
- Increased areas of new habitats, including improved areas by the control of invasive species and regeneration of poor quality vegetation
- Installation of new signage to create cohesive routes and improve legibility of directions and destinations
- Install interpretation material in key locations, integrated with online information using new and existing web sites
- Produce a calendar of events planned for 2018-2019 in the areas of Penwortham-Middleforth, Walton Park and Walton-le-Dale. Include cross-river events involving Avenham and Miller Park, Fishwick Bottoms and Sustrans routes 55 and 62

ROUTE 4 - CENTRAL PARKS



BUDGET	£126 000
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• Path construction	97 325
• Entrance improvements	17 000
• Signage	<u>11 675</u>
	126 000

OUTCOMES

- Increased numbers of walkers, cyclists and horse riders in all age groups, using the network for work, leisure and events
- Increased accessibility for disabled users joining public rights of way at access points from highways
- Improved footpath through Dog Kennel and Cockshott Woods
- Continued management of the Friends of Preston Junction Local Nature Reserve volunteers
- Implementation of the Preston Junction LNR Management Plan
- Installation of new signage and interpretation material
- Develop the conditions necessary to implement a Forest Schools education programme and formal physical health programme

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Agenda Item 6

REPORT TO	ON
Cabinet	21 June 2018



TITLE	PORTFOLIO	REPORT OF
South Ribble Borough Council Budget Out-turn Report 2017/18	Cabinet Member (Finance)	Deputy Chief Executive (Resources and Transformation)

Is this report confidential?	No
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1. PURPOSE OF THE REPORT

This report has been prepared to notify members of the 2017/18 Budget Outturn position in relation to both Revenue and Capital expenditure. The report has previously been considered by the Governance Committee on 29 May together with the council's core financial statements that were produced as part of the council's draft Statement of Accounts. These are now available on the council's website in accordance with statutory requirements and to meet the earlier statutory deadline of 31 May 2018.

2. RECOMMENDATIONS

That Cabinet:

1. Note the contents of the report and appendices;
2. Note the final out turn position of £0.770m underspend against the original revenue budget of £13.482m and the key variances;
3. Note the final out turn position on the capital budget of £0.597m underspend against an annual budget of £2.774m;
4. Note the financing of the capital programme for 2017/18 and approve the carry forward of £0.402m of capital re-phasing into 2018/19 as outlined in this report;
5. Note the end of year position on reserves as a result of the out turn position and note the contributions to and withdrawals from these reserves.
6. Consider whether the underspend can be utilised to support other key projects or initiatives and note that any recommendations are subject to ratification of Full Council.
7. Agree to the development of a wider investment strategy in light of the level of balances.

3. EXECUTIVE SUMMARY

Revenue Service Budget

- 3.1 The council's end of year accounts have been finalised and are showing an underspending of £0.770m against the original annual budget of £13.482m, representing 5.7%. The final position shows a change of £0.491m against the last monitoring report at the end of December 2017 when it was anticipated that the budget would underspend by £0.279m and of £0.3m budgeted contribution from reserves, only £0.021m would be required. The final

outturn position means that no contribution from reserves is required and that the £0.470m surplus will be transferred to the council's general reserve.

- 1.2 The main reasons for the underspend are set out in Table 1 and includes a reduction in planned expenditure of £0.094m, an increase in income of £0.468m, an increase in net Housing Benefits income of £0.119m and additional funding of £0.089m.
- 1.3 It is important to note that the 2017/18 revenue budget out-turn position is partly impacted upon by one-off occurrences. Their temporary nature should and will be considered in context when assessing their impact on the Council's Medium Term Financial Strategy (MTFS) to ensure that the budget is sustainable in future years.
- 1.4 The original budget for 2017/18 included efficiency targets of £0.435m all of which were achieved during the year.

4. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	x
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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5. BACKGROUND TO THE REPORT

- 5.1 This monitoring report sets out the final position for the council in relation to its 2017/18 revenue and capital budget. The report supports the statutory accounts that are also being presented to the Governance Committee in accordance with statutory requirements. These accounts have to be signed by the Chef Finance Officer by 31 May 2018 which is one month earlier than has previously been required.

6. DETAIL

REVENUE NET EXPENDITURE

- 6.1 In 2017/18, the council set an original budget of £13.482m which included a budgeted contribution from General Reserves of £0.3m in order to set a balanced budget. The monitoring report presented to the Governance Committee in January 2018 showed a projected underspend of £0.279m against the original budget. At that time it was reported that the planned contribution from reserves of £0.3m would not be required and that only £0.021m would be needed in order to achieve a balanced position by the end of the year. The end of year position shows an increase in the underspend to £0.770m which means that in addition to not needing the budgeted contribution to reserves, a further £0.470m will transfer to the general reserve.

- 6.2 The original budget for 2017/18 included efficiency savings of £0.435m. These were essential in order to ensure the council was able to achieve a balanced budget and are monitored throughout the year as failure to achieve them could have a significant impact on future long term planning and financial sustainability. All of the efficiency savings were achieved during the year through the generation of additional income and reduced costs as a result of restructuring and more efficient working, including customer self-service and remote working.
- 6.3 The in-year underspend was made up of a number of variances that are set out in Table 1 below:

Table 1: Summary of Revenue Outturn Variations

Details	Original Budget	Final Outturn	Outturn Variances (Under) / Overspend £000
	£000	£000	£000
Expenditure			
Employee costs	10,163	10,075	(88)
Premises	1,052	956	(96)
Transport	535	509	(26)
Supplies and Services	6,596	6,778	182
Third Party Payments	338	293	(45)
Transfer Payments	0	(8)	(8)
Capital Charges	1,138	1,125	(13)
Total Expenditure	19,822	19,728	(94)
Total Income	(5,804)	(6,272)	(468)
Housing Benefits (net of subsidy)	(536)	(655)	(119)
TOTAL REVISED BUDGET	13,482	12,801	(681)
Core Funding (Council Tax/ Business Rates/RSG/NHB)	(13,182)	(13,271)	(89)
Revenue Balance	300	(470)	(770)
Contribution to/(from) General Reserve	(300)	470	770
Balance	0	0	0

6.4 Explanations for the key variances are as follows:

6.5 *Expenditure*

Expenditure Type	Description
Employee Costs <i>Underspend £88k</i>	The £88k underspend is due to a saving in pension deficit contributions which is now paid as a fixed sum at the beginning of the year (£48k) rather than as a percentage of monthly pensionable pay. This change in approach was introduced after the annual budget had been set resulting in an in-year saving. The change has been reflected in the MTFS. Other variations include; staff turnover savings over and above the £100k savings target (£25k), reduced overtime costs budgeted for Forward newspaper delivery (£10k) and training cost savings (£5k).
Premises Costs <i>Underspend £96k</i>	The underspending includes £79k in respect of repairs and maintenance of buildings which is predominantly due to reduced staff resources resulting in a less proactive maintenance regime. Other underspends in premises costs include lower than anticipated rates for empty properties (£43k), an underspend on Grounds Maintenance (£10k) and reduced Property Insurance costs (£22k). These underspends were offset by an overspend of £55k due to an increase in rent for the rented property on Forward Industrial Estate following a rent review. As the increase was backdated there is a one-off charge in 2017/18 and the ongoing annual increase in rental is £9k.
Supplies and Services <i>Overspend £182k</i>	The overspend is mainly as a result of: <ul style="list-style-type: none"> • A one-off increase in the Provision for Bad Debts (£182k) at the end of the year. This has been increased to reflect an increase in outstanding invoices for Housing Benefit and sundry debtors; • Saving in Leisure Services fee (£29k); • Reduction in advertising and publicity costs (£26k) and Place Promotion (£24k); • Lower than anticipated costs of introducing Garden Waste charges in 2018/19 (£19k); • Increase in Professional Planning fees (£49k) in relation to the Cuerden Development site; • The professional valuation of the Council's Assets in order to inform the production of the Statutory Accounts (£28k).
Transport Costs <i>Underspend £26k</i>	The underspend was achieved through a reduction in staff mileage & travel costs (£10k), lower than anticipated expenditure on vehicle hire costs (£9k) and also on fuel (£7k).

Income

6.6 A key element of financial performance for the Council is the out-turn position achieved in respect of its higher value key income streams which are subject to external factors as well as being demand led. Due to the element of risk involved performance is specifically reported

throughout the year and the final position is set out in Appendix A. An explanation for the key variations from the table above are:

Income Type	Description
Investment Property <i>Under Recovery £73k</i>	The under recovery of income is as a result of: 2 units at Momentum being vacant (£15k); property at Station Rd, Bamber Bridge repossessed at the beginning of the year and in need of major refurbishment (£21k); the termination of a lease in September of a property at Clydesdale place (£11k); and the write off of income where rental agreements were terminated (£15k). The write-offs are in respect of income relating to previous years.
Planning Fees <i>Over Recovery £268k</i>	The additional income is as a result of increased activity and some major planning applications.
Building Control Fees <i>Over Recovery £35k</i>	The increase is due to increased activity. The Building (Local Authority) Charges Regulations 1998 gave local authorities the power to set their building control fees and require full cost recovery.
Interest on Investments <i>Over Recovery £110k</i>	The increase is as a result of having higher cash balances than forecast and higher rates being achieved on the re-investment of funds during the year. Comparatives for the previous financial year are set out in the table below. The actual rate of return achieved in 2017/18 of 0.495% which compares favourably with external benchmarks for investment returns.

- 6.7 The total income budget for the council is £5.8m of which £4.4m is recovered from fees and charges as set out in the table above. The remaining budgeted income includes grants and contributions received and costs recharged including business rates collection grant (£124k), City Deal contribution (£527k), fuel cost recharges (£221k) and Shared Services recharge (£304k). There were no variations on these income sources.

Comparison of interest earned 2016/17 and 2017/18			
	Average Balance	Average Rate	Interest Earned
2016/17	£35,683,027	0.575%	£205,078
2017/18	£36,164,564	0.495%	£179,120

Core Funding

- 6.8 Additional core funding of £89k was received including additional New Homes Bonus of £23k.

Core Income Fund Collection

- 6.9 The Council's performance on income collection is a critical factor in respect of its financial matters. As per **Appendix B** there has been little change in the in-year collection statistics for Council Tax, Business Rates and general Sundry Debtor accounts compared to the previous year (2016/17). Performance continues to be strong with a slight increase in the Council Tax Collection Rate (0.07%) and a slight decrease in the Business Rates Collection Rate (0.08%). Sundry debtors' arrears outstanding shows an increase but this is due to several large debts being invoiced towards the end of the financial year for which payment is

expected during 2018/19. It should be noted that prime reason for the reduction in the value of Business Rates collected from 2016/17 to 2017/18 is the impact of the 2017 business rates revaluation and this had been reflected in the 2017/18 budget.

- 6.10 Also set out at Appendix B is a summary position to show the amount of arrears collected in 2017/18 relating to the previous year. Over £1.1m was collected which is similar to the position in 2016/17. Whilst it is difficult to draw conclusions from this due to the fact that the timing of when invoices are raised during a year can have a significant impact, it does demonstrate that the council continues to pursue outstanding debts effectively and the overall level of arrears is not increasing.

Business Rates Retention (BRR)

- 6.11 The current BRR regime has been in existence since 2013/14. The rationale for this scheme is that the local retention of Business Rates income incentivizes Local Authorities to generate additional income by growing the tax base. The scheme does indeed provide a vehicle to generate additional receipts, however, it also transfers the financial risk associated with maintaining and growing the tax base, and the collection of monies due, from Central Government to Local Government.
- 6.12 When the new regime was introduced, South Ribble entered into a pooling arrangement with the wider Lancashire councils. Within the Lancashire pooling arrangements, the Council receives 90% of the Levy funds released from the arrangements (10% are passed to LCC). Outside of a Pooling arrangement only 50% of the Levy would be retained by the Council. The Levy is based on business rate growth over and above the baseline funding level determined by the Government. In 2017/18, the additional levy retained by South Ribble due to being in the Lancashire business rate pool was £1.1m and therefore the pooling arrangement continues to be beneficial to the council. This is reflected in the annual budget.
- 6.13 The total net income from business rates and s31 grant funding in respect of business rates in 2017/18 was £4.6m. The details are set out in Table 2 below:

Table 2: Summary of Business Rates Retention 2017/18

BRR Budget	Budget £000	Outturn £000	Variance £000
South Ribble Share of business rates income	(13,098)	(13,107)	
Less Tariff paid to Central Government	9,750	9,644	
Plus share of Collection Fund Surplus 2016/17	(251)	(175)	
Less Levy Paid to Lancashire Business Rates Pool	87	124	
Retained Business Rates Income	(3,512)	(3,514)	(2)
Plus: S31 Grant re NNDR Reliefs	(655)	(1,110)	(455)
Total income re Business Rates in 2017/18	(4,167)	(4,624)	(457)
Transfer to Business Rates Retention Reserve			457

6.14 The total business rates funding at the end of the year was £0.457m higher than the original budget due to additional s31 grant funding received. S31 grant is a compensatory payment for Central Government changes which resulted in a reduction in income for local authorities. When the budget was being revised in December 2017 there was uncertainty in relation to the basis of the calculation of s31 grant funding for 2017/18 in relation to small business rate relief. The amount of funding received is £0.457m higher than had been budgeted for. The council has a business rates equalisation reserve to manage the risk of changes in business rate income and the additional £0.457m will be transferred to that reserve in line with previous practice.

7 CAPITAL BUDGET OUTTURN

7.1 The original capital allocation for 2017/18 was revised during the year from £4.404m to £2.774m as part of the capital programme budget setting process for 2018/19. This reduction of £1.630m was due to capital schemes that had been approved and commenced in 2017/18 and would not be completed until 2018/19 (£1.477m) and in year savings (£0.153m). The carry forward schemes which were re-phased into 2018/19 are:

Carry Forward Schemes from 2017/18 Programme to 2018/19

Scheme	£
Open Spaces Infrastructure Schemes	35,000
Hurst Grange Park Drainage Works	20,000
St Mary's Penwortham – Churchyard Wall Repairs	105,000
Withy Grove Park	40,000
Worden Park – Replacement Conservatory/Greenhouse	142,505,
Worden Park – Toilet Facilities improvements	200,000
McNamara Memorial	5,500
Priory Park	11,000
Lostock Hall Football Facility (s106)	145,000
Walton-le-Dale Community Centre Car Park refurbishment	54,505
	758,510
Vehicle Replacement Programme	718,444
Carry Forward from 2017/18 to 2018/19	1,476,954

7.2 Against the revised budget of £2.774m, the council has spent £2.177m equating to 78.5% spend against the budget and an underspend of £597k. The actual expenditure against individual capital budgets is set out in **Appendix C** and the main variations to budget are as set out below:

- Budgeted works started or committed in 2017/18 which have been re-programmed for completion in 2018/19 (£402k)
- Civic Centre works (£51k underspend)
- Farm Yard cottages new roofs - £50k budget removed as works to be undertaken in 2018/19 and funded from 2018/19 capital strategy budget for Existing Build assets
- Wesley Street Mill removal of residual budget (£48k)
- Regeneration projects (£49k underspend)
- Private Sector Improvement Grants – new scheme and take up higher than when the phasing between years was forecast (£26k overspend).

At the request of the Governance Committee, a detailed breakdown of the 2017/18 capital programme is attached at Appendix E.

7.3 It is proposed that £0.402m be carried forward into 2018/19 in order that the planned works can be completed. The current capital budget for 2018/19 is £8.151m including £1.477m re-phased from 2017/18 as part of the budget process. Adding the £0.402m carry forward will increase the 2018/19 capital budget to £8.553m. The remaining £0.195m will flow into the capital programme for future years and will form part of the discussions for the 2019/20 capital programme.

7.4 2017/18 Capital Expenditure & Financing

The major areas of capital expenditure and sources of funding in 2017/18 are as follows:-

Capital Expenditure	£'000
Asset management	201
DFG and other housing grants	704
Parks, recreation areas & open spaces	554
Regeneration	371
Vehicles, plant and equipment	61
Information technology and communications	262
Community Grants (Performance Reward Grant funded)	24
Sub-total capital expenditure excluding Leisure	2,177
Leisure Assets	257
Total capital expenditure	2,434

7.5 Capital Investment in the Council's Leisure Assets is procured by the Leisure Partner, South Ribble Community Leisure Trust in accordance with an agreed schedule of capital works and asset renewal and repaid via a fixed annual repayment. Therefore it isn't included in the Council's Budgeted Capital Programme and financing, however the annual financing costs of this deferred purchase arrangement are included in the Council's revenue budget forecasts.

Financing	£'000
Capital receipts	174
Fund balances & reserves	669
Government Grants	576
Deferred Purchase (Leisure)	257
Developers' Contributions - Section 106	268
City Deal	261
Other external contributions	174
Borrowing	55
Total financing of capital expenditure	2,434

8. USABLE RESERVES

Revenue Reserves

- 8.1 The Council's accounting policies were approved by Governance Committee on 18th April 2018. The approved accounting policy on reserves will be included in the accounting policies contained in the Statement of Accounts which is due to be approved by the Chief Finance Officer (CFO) before 31st May 2018 and post external audit inspection by the Governance Committee by 31st July 2018.
- 8.2 A full review of the contributions into Reserves and the categorisation of Reserves was completed and implemented during 2017/18 and reflected in the 2018/19 Budget report and the updated Medium Term Financial Strategy.
- 8.3 The following table shows the Council's overall level of revenue reserves as at 31st March 2017 and 31st March 2018, subject to the approval of the Statement of Accounts as drafted.

REVENUE RESERVES	31/03/17 £000	31/03/18 £000	Movement £000
General Fund Balance	4,597	5,357	760
Earmarked and Other Reserves	13,996	13,631	(365)
Total General Fund Reserves	18,593	18,988	395

- 8.4 This shows a General Fund balance of £5.357 million at 31st March 2018. The overall level of reserves has increased by £0.395 million, comprising of an increase in General Reserves of £0.760 million offset by a reduction of £0.365 million in Earmarked Reserves. The increase in general reserves includes the £0.470m surplus reported earlier. In addition to this there has been some consolidation of some previously earmarked reserves into the general reserve of £0.290m. Further detail is provided in Appendix D.

General Fund Balance

- 8.5 The general reserve is needed to deal with unplanned/unforeseen expenditure or losses in income. The General Fund Balance should be viewed in context of the funding uncertainty facing the Council and indeed all councils across the country. As outlined earlier in the report, in setting the revised budget for 2017/18 it was anticipated that a contribution of £0.021m would be made from the general reserve. Taking into account the out-turn position, there will be a contribution to the reserve of £0.470m.

Earmarked and Other Reserves

- 8.6 Earmarked reserves have been established to meet 'known or predicted liabilities' where the impact of the expenditure would otherwise cause a significant variation to the Council's annual expenditure. The reserves at the end of the year reflect some decisions that were made as part of the budget setting process which resulted in the creation of some new reserves and the consolidation of some existing reserves. For earmarked reserves the Committee should take into consideration the specific comments set out below in

considering whether the reserves are appropriate. A summary of each reserve is listed below:

- Capital Strategy Reserve **£3.460M**; Repairs and Maintenance Fund **£0.5M**

The ICT, Leisure, Asset Management and Public Open Space Commuted sums reserves have been consolidated into the following two reserves:

- 1) Capital Strategy reserve to fund capital expenditure in line with the Council's Corporate Plan priorities, as set out in the approved Capital Strategy for 2018/19 to 2022/23; and
- 2) Repairs and Maintenance Fund. The revenue budget includes an annual provision for the costs of routine repairs and maintenance of the Council's property assets. This new reserve has been created to meet the costs of any major repairs and maintenance or improvement works to the Council's properties which cannot be met from this base budget.

- Transformation Fund **£0.5M**

In November 2017, Council approved the transfer of £0.500m from General Reserves to set up a Transformation Fund. The purpose of this reserve is to provide funding for projects which will generate a payback into the Council's revenue budget through sustainable income generation and/or recurring cost savings. There has been no call on this budget in 2017/18.

- Business Rates Retention **£2.257M**

The equalisation reserve was created in order to meet potential collection fund deficit liabilities commitments, the impact of tax base re-valuation and also unplanned Central Government Levy payments. This reserve should mitigate the potential risk to the Council's MTFS by providing funds to smooth out the inherent fluctuations that will occur as the three year time period characteristic of the system overlays and offsets each other in future years. The £0.190m paid out of the reserve comprises:

- 1) £100k release to revenue in accordance with the 2017/18 approved budget
- 2) £20k budgeted release to fund flood relief costs
- 3) £70k release to match fund the external cost of the business rates rateable value finder support service in 2017/18. As the fee is only payable on additional rateable properties found, the fee is paid from the Council's share of the business rates growth retained as income to the Council

- City Deal Fund **£1.671M**

This reserve is used to fund additional costs in relation to the delivery of City Deal projects and outcomes and has been used to fund City Deal staffing costs and Place Promotion.

- Borough Council Elections **£0.112M**

This reserve is used to meet the costs associated with the Council's elections held once every four years.

- Building Control Reserve **NIL**

The brought forward balance on this reserve related to surpluses generated on the Building Control fee-earning service set aside to support continuing service delivery. The balance has been transferred into the general reserve following the budget review of the Council's reserves.

- Housing Needs Survey **£0.097M**

This reserve is used to meet the costs of carrying out a detailed housing needs survey. A contribution of £20k was made into the reserve in 2017/18 and £10k was released to fund the cost of a Private Sector Housing Survey undertaken during the year.

- Local Development Framework (LDF) **£0.080M**

The purpose of this reserve is to meet the predicted fluctuating expenditure requirements in relation to the LDF. The closing balance on this reserve at 31st March 2018 was £0.080m. This is earmarked to fund any shortfall in funding of the Council's share of costs in relation to the Central Lancashire Local Plan in 2018/19.

- Performance Reward Grant **£0.048M**

As the accountable body, the Council received Performance Reward Grant on behalf of the South Ribble Partnership. The funding is for both capital and revenue projects. The balance in the reserve represents the revenue grant which has been set aside to be spent in future years. The capital element is shown in the balance sheet as a capital grant unapplied.

- Organisational Restructure costs **£0.090M**

Funding from this reserve is taken to revenue to fund any one-off costs in relation to reorganisation and restructure costs. £0.296m was used to fund redundancy costs in 2017/18.

- Borough Investment Account **£3.824M**

To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the Council to bridge the funding gap.

- New Burdens Funding **£NIL**

New Burdens grant income is received from Central Government to off-set additional implementation costs of government new initiatives. Previously any surplus receipts were set aside into an earmarked reserve but following the review of reserves the balance of funding was transferred into General Balances. The balance on the New Burdens Reserve, together with some monies carried forward from 2017/18, has been used to fund the costs of the interim management arrangements that are in place pending the implementation of the council's new management structure.

- My Neighbourhoods **£0.051M**

The balance on the My Neighbourhoods reserve as at the 31st March 2018 is £0.051m and this represents unspent core funding carried forward into 2018/19 to fund My Neighbourhoods expenditure.

- Other Earmarked Reserves **£0.606M** /Apprenticeship Reserve **£0.335M**

The balances on 'Other' earmarked reserves represent amounts carried forward from one financial year to the next, mainly where the timing of spending has been later than planned and it needs to be matched, for example, monies are specifically raised to fund the Sport

Development Team and therefore unspent receipts need to be carried forward into future years in order that the function has continued funding. It also includes funds set aside to ensure the Council can meet any liabilities which may arise.

The opening balance for 'Other' reserves at 1st April 2017 was £1.733m. Of this, £0.335m relates to funding set aside to fund Apprenticeship costs and this has been transferred to a new specific Apprenticeship reserve. A further £0.656m has been transferred into General Balances. In addition, £0.257m has been released to revenue to match expenditure incurred and £0.120m has been added to the reserve in respect of amounts carried forward into 2018/19.

In setting the Medium Term Financial Strategy the Council has acknowledged the longer term demands on certain reserves and accommodated these within its MTFS to address future expenditure pressures and financial sustainability risks facing the Council over the medium term.

- 8.7 Members are asked to note the level of reserves as set out at **Appendix D**. In considering the reserves, members may take a view that the in-year underspend of £0.77m could be utilised differently. To close the accounts and in line with general best practice the underspend has flowed into general reserves. There may however be other options on how this could be used. In making any recommendations, members are reminded that reserves are a one-off resource and cannot therefore be used on recurring expenditure. The Property Investment Strategy later on the agenda proposes an increase to the funding made available for property investment and this may be a consideration. Any decision on the use of reserves would be subject to ratification by Full Council on 21 July 2018.
- 8.8 As an enhancement to the current financial planning, the development of a wider investment strategy is recommended. This would ensure the council is looking to the longer term and using its balances in a way that maximises income or supports core outcomes and deliverables. This longer term strategic approach will also mean that the council is looking at how it can use funding available now to provide greater security and manage financial risks of the future.

Capital Reserves

- 8.9 Reserves held to finance the Capital Programme are set out in the table below together with a forecast of the capital receipts up to 31 March 2021. Capital receipts are used to support the Council's Capital Programme and the figures below have been adjusted to take into consideration the funding of the Capital Programme including the proposed re-phasing of expenditure from 2017/18. Capital Reserves were committed within the 5 year Capital Strategy for 2018/19 to 2022/23 as approved in the 2018/19 Budget and MTFS report.

Capital Reserve	Balance c/f 31 March 2017 £000	Out-turn Balance 31 March 2018 £000	Projected Balance 31 March 2019 £000	Projected Balance 31 March 2020 £000	Projected Balance 31 March 2021 £000
Capital Receipts Reserve	770	596	146	0	0
Earmarked Receipts	448	448	448	448	448

Preserved Right to Buy Receipts	889	889	889	535	35
Total	2,107	1,933	1,483	983	483

9 CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

9.1 This report is for information only and therefore there has been no consultation undertaken.

10 FINANCIAL IMPLICATIONS

10.1 As set out in the report.

11 LEGAL IMPLICATIONS

11.1 Please see comments of the Monitoring Officer below.

12 COMMENTS OF THE STATUTORY FINANCE OFFICER

12.1 The end of year monitoring position is key to the council's approach to financial governance. The final out turn position shows an underspend on revenue, much of which has been generated through additional income and an increase in funding. Where appropriate, the variances in 2017/18 will be incorporated into the medium term financial strategy for 2018/19 and future years. The position on the capital programme shows an underspend of which some is directly related to the planned completion of projects in the next financial year. The approach set out in the report enables these projects to be completed. The approach to reserves manages the risk to the council of managing unplanned expenditure and changes in funding.

13 COMMENTS OF THE MONITORING OFFICER

13.1 This report – along with other reports on the agenda relating to the Statement of Accounts and the Annual Governance Statement – is designed to meet our statutory obligations and comply with advice contained within the relevant Code of Practice (please see above). There are no legal concerns with this report.

14 OTHER IMPLICATIONS:

<ul style="list-style-type: none"> ▶ HR & Organisational Development ▶ ICT / Technology ▶ Property & Asset Management ▶ Risk 	<p><i>The report is for information only and therefore there are no other implications</i></p>
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► **Equality & Diversity**

15 BACKGROUND DOCUMENTS

- Regulation 8 of the Accounts and Audit Regulations 2011
- The Local Government and Housing Act 1989, Section 56(5)
- 2017/18 Budget and Medium Term Financial Strategy – Cabinet, 20th February 2017
- Budget Projected Outturn Statement as at 31 December 2017 – Governance, 31st January 2018

16 APPENDICES

APPENDICES

Appendix A Summary of Key Income (Fees and Charges) Out Turn

Appendix B Council Tax, Business Rates and Sundry Debtor Collection

Appendix C Capital Outturn 2017/18

Appendix D Summary of Revenue Reserves and Balances

Appendix E Capital Outturn (Detailed) 2017/18

Lisa Kitto
Deputy Chief Executive (Resources and Transformation)

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	03/05/2018

Appendix A

Summary of Key Income (Fees and Charges) Outturn Position

Key Income (Fees and Charges) Budgets	Original Budget 2017/18 £000	Actual Outturn 2017/18 £000	Variance (Over) / Under budget £000
Investment Property Rentals	(1,126)	(1,053)	73
Civic Centre Rental	(10)	(7)	3
Worden Craft Units	(15)	(10)	5
Planning Fees	(375)	(643)	(268)
Trade Waste Charges	(477)	(463)	14
Building Control Fees	(158)	(193)	(35)
Interest on Investments	(69)	(179)	(110)
Pest Control Fees	(23)	(24)	(1)
Rats and Mice (new charge)	0	(9)	(9)
Environmental Permits	(19)	(19)	-
Market rents	(135)	(131)	4
Car Parking Charges/Permits	(93)	(107)	(14)
Car Parking PCN fines	(29)	(30)	(1)
Land Charges - charges	(100)	(99)	1
Taxi Licensing Fees	(76)	(74)	2
Licensing - Premises	(63)	(59)	4
Licensing – street traders	(23)	(26)	(3)
Licensing - other	(13)	(14)	(1)
Civic Centre room hire	(10)	(36)	(26)
Community Coaching income	(221)	(228)	(7)
Court summons costs recovered	(228)	(208)	20
Public realm (LCC)	(107)	(123)	(16)
Waste - Cost sharing	(909)	(909)	-
Waste – new bin charges	(75)	(29)	46
Waste - special collections	(32)	(40)	(8)
TOTAL*	(4,386)	(4,713)	(327)
<i>Plus one-off income received:</i>			
Insurance repayment			(36)
Land charges grant			(32)

DWP funding – Right Benefit Initiative	(19)
Expenses recovered	(20)
Sale of vehicles & equipment	(12)
Other minor income variations	(22)
TOTAL VARIATION	(468)

Appendix B

Council Tax, Business Rates and Sundry Debtor Collection

In-Year Collection

The table below sets out the in-year collection statistics for Council Tax and Business Rates compared to 2016/17.

	2016/17 Collection Rate %	2016/17 Amount Collected (£000)	2017/18 Collection Rate %	2017/18 Amount Collected (£000)
Council Tax	97.43	56,448	97.50	58,725
Business Rates	98.30	39,336	98.22	37,379
Sundry Debtors		6,558		7,701

Previous Years Collection and Arrears Information

The following table sets out the amount of arrears collected in 2017/18 that related to previous years. For comparative purposes, the information for 2016/17 is also provided. The table also sets out the level of arrears at the end of 2017/18 and 2016/17.

	2016/17 Previous Years Amount Collected (£000)	2017/18 Previous Years Amount Collected (£000)	Arrears at 31 st March 2017 (£000)	Arrears at 31 st March 2018 (including 2017/18 arrears) (£000)	Change to Arrears (£000)
Council Tax	1,069	983	3,785	3,782	(3)
Business Rates	29	146	1,138	1,222	84
Sundry Debtors			698	1,343	645

The arrears collected figures take account of council tax and business rates that have been refunded following changes to liabilities. The Valuation Office are continuing to reduce council tax bands and rateable values, which results in charges being reduced for previous years and refunds being issued, which then reduces the Previous Years Amount Collected figures.

The increase in the amount of sundry debtors' arrears outstanding at 31st March 2018 was due to several large debts being invoiced late in the financial year. These debts were subsequently collected early in April 2018.

Appendix C Capital Outturn 2017/18

Description	2017/18 Budget	2017/18 Revised Budget	2017/18 Actual Expenditure	Over/(Under) spend	Rephased into 2018-19	Over/(Under) spend
	£000	£000	£000	£000	£000	£000
Shared Services and Corporate Support	337	341	267	(74)	(74)	-
Management of Assets	276	382	200	(182)	(25)	(157)
Neighbourhoods and Streetscene	2,173	661	606	(55)	(52)	(3)
Regeneration, Leisure and Healthy Communities	670	439	375	(64)	(15)	(49)
Strategic Planning and Housing	922	923	705	(218)	(232)	14
Performance Related Grant	26	28	24	(4)	(4)	-
TOTAL	4,404	2,774	2,177	(597)	(402)	(195)

Appendix D

Summary of Revenue Reserves As At 31 March 2018

	Balance 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance 31 March 2018 £'000	Reallocation between reserves £'000
GENERAL RESERVE	(4,597)	(470)	0	(5,357)	(290)
EARMARKED RESERVES					
Asset Management	(1,494)	(500)	401	0	1,593
ICT Strategy Reserve	(988)	-	267	0	721
Leisure sites repair and maintenance	(160)	-	-	0	160
Public Open Space Funds	(1,535)	(96)	155	0	1,476
Vehicle and Plant replacement	(21)	-	10	0	11
Capital Strategy Reserve	0	-	-	(3,460)	(3,460)
Repairs and Maintenance Fund	0	-	-	(500)	(500)
Transformation Fund	0	-	-	(500)	(500)
Business Rates Retention	(3,250)	(516)	190	(2,257)	1,319
City Deal Reserve	0	(492)	140	(1,671)	(1,319)
Borough Council Elections	(82)	(30)	-	(112)	
Building Control Reserve	(22)	-	-	0	22
Housing Needs Survey	(87)	(20)	10	(97)	
Local Development Framework	(80)	-	-	(80)	
Performance Reward Grant	(68)	-	20	(48)	
Organisation Restructure Costs	(385)	-	295	(90)	
Borough Investment Account	(3,824)	-	-	(3,824)	
New Burdens Funding Reserve	(222)	(59)	170	0	111
My Neighbourhoods	(45)	(6)	-	(51)	
Apprenticeship Reserve	0	-	-	(335)	(335)
Other Earmarked Reserves	(1,733)	(120)	256	(606)	991
Total Earmarked Reserves	(13,996)	(1,839)	1,914	(13,631)	290
TOTAL	(18,593)	(2,309)	1,914	(18,988)	0

Based on the budgeted assumptions in relation to the use of reserves to fund capital and revenue priorities, the forecast total reserve balances are:

	£'000
Actual March 2018	(18,988)
Forecast March 2019	(14,628)
Forecast March 2020	(11,413)

Appendix E

Capital Outturn 2017/18 (Detailed)

Description	2017/18 Budget	2017/18 Revised Budget	2017/18 Actual Expenditure	Over/(Under) spend	Rephased into 2018-19	Over/(Under) spend
	£000	£000	£000	£000	£000	£000

Shared Services & Corporate Support

Business Transformation - Customer Contact	53	53	40	(13)	(13)	-
Capita Revs & Bens	-	-	(4)	(4)	(4)	-
Committee Management System	20	23	23	-	-	-
Electronic Document and Records Management System (EDRMS)	22	22	22	-	-	-
Financial Management Information Systems (FMIS)	9	11	11	-	-	-
IT hardware replacement	40	40	28	(12)	(12)	-
Licencing system (LALPAC)	2	1	1	-	-	-
Performance Management System (InPhase)	40	40	40	-	-	-
SAN server replacement	85	85	82	(3)	(3)	-
SAN hosts replacement	-	-	-	-	-	-
Wi-Fi upgrade	-	48	11	(37)	(37)	-
Business continuity & disaster recovery	60	13	8	(5)	(5)	-
Polling Booths	6	6	6	-	-	-

Management of Assets

Civic centre - Lifts	-	-	1	1	-	1
Civic centre - Toilets refurbishment	50	25	-	(25)	-	(25)
Civic centre - Swipe card security system	31	58	54	(4)	-	(4)
Civic centre - CCTV	10	24	14	(10)	-	(10)
Civic centre - Building works	20	140	124	(16)	-	(16)
Inv Prop Farm Yard cottages - New roofs to 3 & 4 Farm yard cottages	50	50	-	(50)	-	(50)
Inv Prop Middleforth / Bison Place - Redevelopment of units	5	5	-	(5)	-	(5)
Inv Prop Worden Craft Units - Infrastructure upgrade	55	25	-	(25)	(25)	-

Description	2017/18 Budget	2017/18 Revised Budget	2017/18 Actual Expenditure	Over/(Under) spend	Rephased into 2018-19	Over/(Under) spend
	£000	£000	£000	£000	£000	£000
Wesley St development	55	55	7	(48)	-	(48)

Neighbourhoods & Streetscene

Open Spaces 2016/17 to 2019/20	132	97	64	(33)	(32)	-
Gregson Green - Drainage Scheme	51	51	32	(19)	(19)	-
Hurst Grange Park	50	5	-	(5)	(5)	-
Moss Side Sports Facilities - Car park extension	103	103	99	(4)	-	(4)
St Mary's, Penwortham - Churchyard wall repairs	77	2	2	-	-	-
Vehicles and Plant replacement programme	1,003	55	55	-	-	-
Whernside Way drainage works	20	16	16	-	-	-
Withy Grove Park	250	210	215	5	5	-
Worden Park - Refurbishment of vinehouse	72	75	75	-	-	-
Worden Park - Replacement conservatory / greenhouse	190	48	48	-	-	-
Worden Park - Toilet facilities	225	-	-	-	-	-

Regeneration, Leisure & Healthy Communities

Feasibility & Surveys - Design and development	20	15	4	(11)	-	(11)
Bamber Bridge railway station	5	5	-	(5)	(5)	-
St Catherine's Park	-	-	1	1	-	1
Cuerden Park visitor centre	3	3	3	-	-	-
Bamber Bridge - Regeneration	207	207	167	(40)	(40)	-
Leyland - Gateway features	99	99	90	(9)	-	(9)
Leyland Loop	18	15	16	1	-	1
Longton Village - Regeneration	18	18	4	(14)	-	(14)
Lostock Hall arts academy trail	8	7	-	(7)	(7)	-
McNamara Memorial	8	2	-	(2)	(2)	-
Priory Park	12	1	-	(1)	(1)	-
Walmer Bridge Improvements	47	40	23	(17)	-	(17)
Lostock Hall Football Facility	150	5	-	(5)	(5)	-

Description	2017/18 Budget	2017/18 Revised Budget	2017/18 Actual Expendit ure	Over/ (Under) spend	Rephased into 2018-19	Over/ (Under) spend
	£000	£000	£000	£000	£000	£000
Walton-le-dale Community Centre car park refurbishment	75	21	66	45	45	-

Strategic Planning and Housing

Disabled Facilities Grants	764	764	532	(232)	(232)	-
Empty Properties	47	47	40	(7)	-	(7)
Private Sector home improvement grants	100	100	126	26	-	26
CPO 30 Rhodesway	11	11	6	(5)	-	(5)
Performance Related Grant	26	27	23	(4)	(4)	-
Total	4,404	2,774	2,177	(597)	(402)	(195)

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