

| REPORT TO | ON |
|-----------|--------------------------|
| CABINET | Wednesday, 5 August 2020 |



| TITLE | PORTFOLIO | REPORT OF |
|------------------------|---|--|
| Budget Outturn 2019-20 | Cabinet Member (Finance, Property and Assets) | Deputy Director of Finance (Section 151 Officer) |

| | |
|--|-----|
| 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 |

PURPOSE OF THE REPORT

1. This report explains the Council's overall financial position at the end of the financial year 2019-20, on 31st March 2020. Note: Throughout the report most figures are quoted to the nearest £1,000. Some totals may appear incorrect by £1,000 or even £2,000 because individual figures have been rounded, but every total is correctly stated to the nearest £1,000.

PORTFOLIO RECOMMENDATIONS

2. Cabinet notes, reviews and comments on the contents of this report.
3. Cabinet approves the following transfers to reserves from the surplus in 2019/20:
 - a) Transfer £160,000 to the Borough Elections reserve.
 - b) Transfer £173,000 to the Restructure Costs reserve.
 - c) Transfer £270,000 to the 'Other Reserve' in relation to unspent grant income.
 - d) Transfer £166,000 to the 'Other Reserve' in relation to unspent expenditure budgets and surplus income that are needed in 2020/21.
 - e) Transfer the remaining surplus of £631,000 to the Business Rates Retention reserve.
4. Cabinet approves the re-profiled budgets for the capital programme, including underspends to be carried forward, as detailed in Appendix B.

EXECUTIVE SUMMARY

5. The overall revenue outturn for 2019/20 is a net budget surplus of £1,400,000. Of this, £270,000 is surplus ring-fenced income and £166,000 relates to budgets that will be utilised in 2020/21. The net surplus is £964,000. The budget included an expected net contribution to reserves of £461,000, which means the outturn surplus is £502,000 more than the budget. A summary of the variances is shown in Table 1.
6. The forecast at quarter 3 was an overall surplus of £930,000. This comprised an expected net contribution to reserves of £496,000 plus a net surplus of £434,000. The main reason for the increase to £1.4m at outturn is that business rates and section 31 grants are a lot higher than budgeted and forecasted. The main variances are listed below.

| Revenue Budget Main Variances | £'000 |
|--|-------|
| Surplus income or underspent expenditure: | |
| Surplus business rates and Section 31 grants funding | (759) |
| Overall underspend on staffing costs | (58) |
| Garden Waste surplus income | (162) |
| Offset by increased costs or shortfalls in income: | |
| Investment property rental income deficit due to write-off of March rent | 140 |
| Leisure campus abortive costs | 230 |
| Planning application fees deficit | 114 |

7. There is also unspent grant income and expenditure budgets that are requested to be carried forward into 2020/21.

| | |
|---|-------|
| Grant income for Brexit, Housing Enforcement, Towns Fund and New Burdens received but to be carried forward | (270) |
| Sports Development surplus income to be carried forward | (40) |
| Underspent expenditure budgets for Music Festival, Leisure consultancy and Website development to be carried forward to 20/21 | (126) |

8. It is recommended that the net surplus of £964,000 for 2019/20 is used to increase 3 reserves – the Borough Elections reserve increased by £160,000, the Restructures Costs reserve increased by £173,000 and the remaining £631,000 to the Business Rates Retention reserve.
9. The total capital spend for 2019/20 is £3,009,000. The forecast at quarter 3 was £4,129,000. Details about individual schemes are included in Appendix B, along with the revised budgets for 2020/21 to 2023/24.
10. The financing of the capital spend in 2019-20 maximised the use of capital receipts and Section 106 funding. This reduced the amount needed from the capital funding reserve.

CORPORATE OUTCOMES

11. The report relates to the following corporate priorities:

| | |
|---|---|
| Excellence, Investment and Financial Sustainability | ✓ |
| Health, Wellbeing and Safety | ✓ |
| Place, Homes and Environment | ✓ |

Projects relating to People in the Corporate Plan:

| | |
|----------------------------|---|
| Our People and Communities | ✓ |
|----------------------------|---|

BACKGROUND TO THE REPORT

12. The 2019/20 budget and Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23 was approved by full Council on 27th February 2019.
13. The net cost of services revenue budget was £14,484,000. An increase of 1.99% in Council Tax was approved, with a budget income figure of £153,000. After applying other sources of funding as well, there was an overall surplus of £716,000 that was budgeted to be transferred back into the capital funding reserve to help fund the sizeable capital programme.

14. The capital programme totalled £41,383,000 over the next 4 financial years, with a total budget of £12,908,000 in 2019/20.
15. The quarter 3 budget monitoring report forecasted an overall surplus of £930,000 in 2019-20.
16. The quarter 3 budget monitoring report forecasted the total capital spending to be £4,129,000.

INFORMATION

Revenue Summary

17. Table 1 summarises by directorate the revenue budget variations. The outturn position is a surplus compared to the budget of £938,000. This is mainly due to the amount of business rates and section 31 grant funding received being a lot higher than expected. Table 2 lists the main variances within particular service areas.

Table 1: Revenue Budget Summary

| | Current Budget £'000 | Outturn £'000 | Outturn Variance £'000 | Forecast at Quarter 3 £'000 |
|---|----------------------------|------------------|------------------------------|-----------------------------------|
| Chief Executive | 943 | 880 | (62) | 905 |
| Neighbourhoods & Development | 6,482 | 6,430 | (52) | 6,432 |
| Planning and Property | 526 | 392 | (135) | 272 |
| Finance and Assurance | 1,370 | 1,630 | 259 | 1,455 |
| Legal, HR & Democratic Services | 1,701 | 1,632 | (69) | 1,703 |
| Customer and Digital | 2,126 | 2,054 | (72) | 2,094 |
| Pension Deficit Contributions | 414 | 519 | 105 | 521 |
| Net Cost of Services | 13,563 | 13,538 | (26) | 13,382 |
| Interest payable / (receivable) | (214) | (286) | (72) | (217) |
| Parish Precepts | 397 | 389 | (8) | 397 |
| Provision for repayment of debt | 835 | 761 | (74) | 831 |
| Funding Requirement | 14,581 | 14,401 | (180) | 14,393 |
| <u>Funding:</u> | | | | |
| New Homes Bonus – City Deal | (879) | (879) | - | (879) |
| New Homes Bonus – SRBC | (135) | (135) | - | (135) |
| Retained Business Rates | (3,950) | (4,169) | (219) | (3,939) |
| Section 31 grants (mainly business rates) | (1,750) | (2,289) | (540) | (2,041) |
| Council Tax | (8,329) | (8,329) | - | (8,329) |
| Total Funding | (15,042) | (15,801) | (759) | (15,322) |
| | | | | |
| (Surplus) / Deficit | (461) | (1,400) | (938) | (930) |
| | | | | |
| Ring-Fenced income | - | 270 | 270 | 162 |
| Underspends to be used in 20/21 | - | 166 | 166 | - |
| Net (Surplus) / Deficit | (461) | (964) | (502) | (768) |

Table 2: Revenue Main Variations Within Directorates

| Detail | Carry Forward | Over / (Under-) Spend £'000 |
|--|---------------|--------------------------------|
| Chief Executive | | |
| Staffing Costs | | 19 |
| Brexit preparation grant not yet used | Y | (18) |
| Music Festival | Y | (48) |
| Organisational development costs now settled after being in dispute | | 15 |
| Place Promotion budget - earmarked to be used mainly for website development | Y | (53) |
| Shared Services Implementation | | 16 |
| Other minor variances | | 7 |
| | | (62) |
| Neighbourhoods & Development | | |
| Staffing Costs | | (14) |
| Car mileage | | (13) |
| Car parks utilities costs | | (16) |
| Cleansing team supplies | | (19) |
| Civic Centre surplus rental income | | (17) |
| Corporate Buildings repairs and maintenance | | 21 |
| Garden Waste surplus income | | (162) |
| Grounds maintenance supplies | | (28) |
| Housing enforcement grant not yet used | Y | (22) |
| Leisure campus project abortive costs | | 230 * |
| Leisure consultancy | Y | (43) |
| Mechanics and vehicles maintenance surplus income | | (42) |
| My Neighbourhoods unspent funding | Y | (13) |
| Parks donations and historic costs recovered | | (18) |
| Sports Development surplus income | Y | (39) |
| Trade Waste income deficit | | 33 |
| Waste Contract inflation and cost recovery adjustments | | 83 * |
| Worden Hall professional fees | | 19 |
| Other minor variances | | 7 |
| | | (53) |
| Planning and Property | | |
| Staffing Costs | | (169) |
| Building Control income deficit | | 15 |
| Central Parks costs (funded by Section 106) | | 19 |
| City Deal capacity funding for fees incurred | | (75) |
| Homelessness (funded by grant in reserves) | | 21 |
| Investment Property advisers (funded by Borough Investment Reserve) | | 17 |
| Investment Property income deficit | | 140 |
| Local Plans costs | | (21) |
| Moss Side Community Centre repairs and maintenance | | 15 |
| Planning application fees income deficit | | 114 |

| Detail | Carry Forward | Over / (Under-) Spend £'000 |
|--|---------------|--------------------------------|
| Planning growth budget not required | | (50) |
| Town Deal Capacity Funding not yet used | Y | (156) |
| Other minor variances | | (5) |
| | | (135) |
| Finance and Assurance | | |
| Staffing Costs (note 1) | | 157 |
| Bank Charges | | 24 |
| Insurance costs | | 10 |
| Provision for bad debt increased | | 66 |
| Other minor variances | | 2 |
| | | 259 |
| Legal, HR & Democratic Services | | |
| Staffing Costs (note 1) | | (80) |
| Legal fees | | 21 |
| Other minor variances | | (10) |
| | | (69) |
| Customer and Digital | | |
| Staffing Costs | | (76) |
| ICT contracts and equipment | | 71 |
| ICT cyber security funding | | (15) |
| Housing Benefits reduced subsidy | | 50 |
| New Burdens grant | Y | (74) |
| Personal budgeting' budget not required | | (30) |
| Other minor variances | | 2 |
| | | (72) |
| Pension Contributions (note 2) | | 105 |
| Net Cost of Services | | (26) |

Note 1: Staffing Costs in 'Finance and Assurance' and 'Legal, HR & Democratic Services' show the net position after factoring in income from, and external contractor charges paid to, Chorley Borough Council through shared services arrangements.

Note 2: Pension Contributions are charged on a notional basis against services. The actual costs of £1,527,500 were paid in a lump sum at the start of the year. The variance against the Pension Contributions budget is due to the total amount of notional charges being lower than was budgeted, which in turn is due to underspending on staffing costs.

Staffing Costs

18. The overall net saving in staffing costs is £58,000. This is after allocating the £150,000 turnover target to match actual savings achieved during the year. The main reason for the underspend is posts being vacant, some earlier in the year that have now been filled others that are currently vacant.
19. Table 3 below details the main staffing cost variances within services areas. Appendix A shows the posts that were vacant at 31st March 2020.

Table 3: Staffing Costs Main Variations

| Service Area | Over / (Under-) spend £ | Reasons and notes |
|---|-------------------------|---|
| Chief Executive | | |
| Corporate Management | 63,200 | Interim Chief Executive costs (50%) |
| | (50,300) | Net saving from the vacant Deputy Chief executive posts, after incurring severance costs. |
| Neighbourhoods & Development | | |
| Environmental Health | 9,600 | New Climate Change Officer |
| Facilities Management | 12,100 | Redundancy costs. Surplus income was generated from hiring out the business and conference centre, which covered this extra cost. |
| Neighbourhoods | (41,800) | Net underspend from vacant posts during the year. Two posts were vacant at year-end, both becoming vacant in March. |
| Sports Development | 9,000 | Upgrades to some staff. Surplus income was generated, which more than covered this extra cost. |
| Planning and Property | | |
| Apprentices | (63,900) | The current tranche of apprentices was hired in September. Some posts were vacant at the start of the year because the previous apprentices had been promoted to other roles across the organisation. |
| Planning | (71,500) | The budget reflected an approved restructure of the service. There was a delay in implementing the new structure, which meant some vacant posts were not filled until part-way through the year. |
| Homelessness | (14,300) | One vacant post was filled in November. |
| Estates | (9,100) | One vacant post was filled in July. It has now become vacant again in April. |
| Finance and Assurance | | |
| Senior Management | (73,400) | Vacant Director and Assistant Director posts (net cost of 50% not incurred). |
| | 12,000 | Deputy Director costs (50%) |
| Assurance | 63,600 | Interim Head of Assurance not budgeted, net cost to SRBC |
| Financial Services | 158,800 | Severance costs for 3 staff (£111,000), and additional staffing (£39,000), miscellaneous non-staffing costs (£8,000) |

| Service Area | Over / (Under-) spend £ | Reasons and notes |
|--|-------------------------|---|
| Legal, HR & Democratic Services | | |
| Senior Management | (60,600) | Vacant Head of Legal, HR & Democratic Services post. Now deleted as part of shared services restructure |
| | 40,000 | Approved virement to fund Shared Service implementation costs |
| | (80,900) | Vacant Director and Asst Director posts, 50% cost not incurred. |
| | 70,500 | Monitoring Officer costs not budgeted |
| | (90,700) | Vacant Borough Solicitor post. Now deleted as part of shared services restructure. |
| | 30,300 | Borough Solicitor settlement costs |
| HR | 11,600 | Additional support from Chorley Council |
| Customer and Digital | | |
| Gateway | (81,400) | Turnover and vacancies. Currently 3 vacant posts |
| IT | 38,600 | Pension strain costs of £74,100 offset by underspends from vacancies. Currently 2 vacant posts |
| Revenues and Benefits | (33,300) | Two post-holders reduced their hours. There is also 1 vacant post. |

Non-Staffing Costs

20. The net cost of £83,000 in relation to the waste contract is due mainly to inflation of staffing costs that feed into the contract calculations. The pay adjustments reflect the impact of the NJC pay awards on individual pay points, which for the FCC employees works out higher than the average pay increase previously applied. That increase was offset by recovery of costs in relation to replacement bins. The contract includes an annual provision for the cost of bin replacements and the actual cost of bin replacements has been less than this provision, resulting in an overpayment being recovered from FCC.
21. The leisure campus project abortive costs had been incurred as capital expenditure in anticipation of a new facility being constructed. However, the project has been halted and there is no longer the expectation that a facility will be built on the specified site within the short term at least. (The capital programme includes a budget but it has been re-profiled to 2023/24). Therefore, under accounting regulations, a large proportion of the costs incurred can no longer be capitalised since they cannot be demonstrably linked to the creation of an asset.
22. The total value of costs incurred is £602,409. An assessment of these costs estimates that £229,500 (38%) can no longer be recognised as capital and must be charged as a revenue cost. These costs relate to project management fees, bespoke design costs that would not be transferrable to a new site, and work on a business case for a project that is now profiled to begin towards the latter end of the capital programme. The remaining £372,909 that is still recognised as capital expenditure relates to design and site investigation work that could still be attributed to a new facility or a new Extra Care facility (included in the capital programme) on the same site. Should neither of those projects come to fruition then the remaining capital costs will also need to be charged to revenue as abortive costs.
23. The provision for repayment of debt (in Table 1) includes the 'Minimum Revenue Provision' (MRP) charge relating to cumulative capital expenditure that has not been financed by other

means such as capital receipts, grants or contributions. A review of historical calculations, has resulted in a reduction in MRP in 2019/20 of £74,000.

Business Rates and Section 31 Grants

24. Table 4 below sets out the different elements in respect of Retained Business Rates for the year.
25. The actual local share of business rates would usually match exactly to the budgeted figure, but two factors have created a variance. Firstly, a late change to the amounts included on the Council's NNDR1 return for the year has produced a difference in 2019/20, with this being offset by a corresponding rise in Section 31 grants. Secondly, there has been an overall underlying increase in the amount collectable, compared to the original forecasts. This will be partly reflected in an increased surplus to be distributed in future years, but because there has also been a rise in those entitled to the various reliefs that are compensated for by Section 31 grant, it has also resulted in a further increase in grant entitlement.
26. During 2019/20, the Council was part of a 75% retention Pilot Area and the arrangements for this included a commitment to making contributions to a county-wide strategic fund and a resilience fund. Confirmation has not yet been received on the final treatment of these, but at present it is not expected that any further payments will be made.
27. The final amount in respect of renewable energy has yet to be confirmed.
28. There has been a reduction of £63,000 in the income in respect of the Lancashire Enterprise Zone at Samlesbury, but this is wholly payable to the Lancashire Enterprise Partnership and so there is no impact on the overall net amount for the year.

Table 4: Business Rates Funding

| Business Rates Retention Budget | Budget £'000 | Outturn £'000 | Variance £'000 |
|--|-------------------------|--------------------------|---------------------------|
| Expenditure | | | |
| Tariff paid to Pool | 15,150 | 15,150 | 0 |
| Payment re Enterprise Zone (19/20) | 174 | 111 | (63) |
| Payments to Lancs Wide Fund | 286 | 0 | (286) |
| Payment to Resilience Fund | 57 | 0 | (57) |
| Income | | | |
| Local share of business rates | (19,220) | (19,095) | 125 |
| Share of surplus/deficit | (185) | (185) | 0 |
| Designated Area – Enterprise Zone | (174) | (111) | 63 |
| Renewable energy rates income | (39) | (39) | 0 |
| Sub-Total | (3,951) | (4,169) | (219) |
| Government S31 Grants | (1,750) | (2,269) | (519) |
| Total | (5,701) | (6,438) | (737) |

Council Tax and Business Rates Collection

29. The collection rates for Council Tax and Business Rates were:

| | 2018/19 Actual % | 2019/20 Actual % |
|----------------|---------------------|---------------------|
| Council Tax | 97.42 | 97.48 |
| Business Rates | 98.81 | 98.50 |

Income from Fees and Charges

30. Table 5 shows the budgets and forecasts of the main types of income that are generated by services. (Note: this is different to general funding that isn't attributable to particular services such as non-specific government grants, council tax and business rates.)

31. The main income variations are as follows:

- Community Sports Coaching – The funding in respect of the bikeability scheme was not budgeted because it was uncertain. Once this extra income was confirmed, additional staffing costs were incurred. The net position was a surplus of £40,000.
- Garden Waste Charges – The charges were introduced in 2018/19. The budget for 2019/20 was increased to reflect more closely the uptake in 2018/19. However, the volume of customers has actually increased in 2019/20.
- Vehicle Maintenance Contract – This is a new income stream as a result of the council securing the maintenance work for the Chorley Council waste contractor vehicles. There are additional costs for staffing, materials and equipment. The net surplus was £42,000.
- Planning fees – Pre-application fees were introduced during 2018/19. The take up has been a lot lower than forecasted. Also, other planning fees are lower than budgeted because some large scale developments have not proceeded as quickly as expected.
- Investment Property rental – In response to Covid-19, the council decided not to charge rents for March to June 2020 and refund customers that had already paid. The loss of income in March accounts for the deficit in 2019/20.

Table 5: Income from Fees and Charges

| Service Area | Last Year Actual £'000 | Budget £'000 | Outturn £'000 | (Surplus) / Deficit £'000 |
|---|---------------------------|-----------------|------------------|---------------------------------|
| Neighbourhoods & Development | | | | |
| Car Parking charges and fines | (135) | (137) | (141) | (4) |
| Civic Centre banqueting suite income | (22) | (18) | (26) | (8) |
| Community Sports Coaching | (235) | (203) | (279) | (76) |
| Dog impounding, littering and dog fouling | (6) | (18) | (4) | 13 |
| Environmental Permits | (24) | (19) | (23) | (4) |
| Football pitches, fairs, etc | (26) | (15) | (34) | (18) |
| Grounds Maintenance | (172) | (164) | (156) | 8 |
| Licensing - Piercings & Tattoos and Animals | (12) | (7) | (9) | (2) |
| Licensing - Street Traders | (28) | (25) | (23) | 2 |
| Pest Control | (44) | (39) | (46) | (6) |
| Property rental - Civic Centre | (71) | (50) | (67) | (17) |
| Property rental - Market | (139) | (142) | (126) | 15 |
| Property rental - Moss Side Depot | (13) | (43) | (43) | (0) |
| Property rental - Worden Craft Centre | (13) | (15) | (11) | 4 |
| Waste Collection - Garden waste | (789) | (650) | (809) | (159) |
| Waste Collection - New bins | (46) | (65) | (56) | 9 |
| Waste Collection - Special collections | (41) | (40) | (40) | 0 |
| Waste Collection - Trade Waste | (460) | (477) | (445) | 33 |
| Vehicle Maintenance for FCC | - | (13) | (120) | (107) |
| Planning & Property | | | | |
| Building Control | (221) | (191) | (177) | 14 |
| Planning application fees | (454) | (505) | (436) | 69 |
| Planning pre-application fees | (21) | (72) | (31) | 41 |
| Investment property rental | (1,075) | (1,095) | (950) | 145 |
| Legal HR & Democratic Services | | | | |
| Land Charges | (95) | (100) | (90) | 10 |
| Legal fees recovered | (13) | (15) | (13) | 2 |
| Licensing - Alcohol | (72) | (76) | (78) | (2) |
| Licensing - Gambling | (13) | (12) | (10) | 2 |
| Licensing - Taxis | (81) | (94) | (84) | 11 |
| Customer and Digital | | | | |
| Court summons costs recovered | (213) | (228) | (219) | 9 |
| | | | | |
| | (4,530) | (4,528) | (4,544) | (16) |

Interest on Cash Investments

32. The interest figures in the summary table (Table 1) include a windfall of £17,000 in relation to a section 106 receipt paid late. Short-term cash investment interest was £387,000, which is £67,000 more than budgeted. Return on investments and comparisons to the previous reporting period are set out below:

| Year | Average Balance | Average Rate | Interest Earned |
|---------|-----------------|--------------|-----------------|
| 2019/20 | £43,018,874 | 0.901% | £387,391 |
| 2018/19 | £40,054,734 | 0.755% | £302,594 |

33. Interest earned on the Council's investments increased by £85,000 (or 28%) in 2019/20, compared to 2018/19. This is partly attributable to the average balance itself being some 8% higher and partly to an increased average level of interest rates. In 2018/19, the Bank of England Base Rate was 0.50% for a significant portion of the year, before increasing to 0.75% early in August 2018. It remained at this higher level for almost the whole of 2019/20, before the sudden reductions to first 0.25% and then just 0.1% in mid-March, with the onset of fiscal measures related to the coronavirus pandemic. These reductions occurred sufficiently late in the year that they had only a limited impact on the Council's interest earnings.

COVID-19

34. The impact of Covid-19 on the 2019/20 budget has been minimal. The main budget implication has been the need to increase the bad debt provision as described earlier in this report as well as managing the March rent free period for the council's commercial tenants.
35. The pandemic will impact the council, its businesses and residents over the coming months and years. The main areas of budget risk to the council are:
- reductions in council tax and business rates income
 - increased cost pressures – additional homelessness support and other additional support to residents, investment in council offices and IT to continue supporting customer facing services
 - potential reductions in fees and charges such as parking charges or planning fees
 - potential reductions in commercial income
36. The Government has provided the council with over £1.1m to manage these budget risks so the council can continue to provide services to its residents and businesses. South Ribble Council has distributed over £18m of grants to businesses as part of the Government initiative to provide short term support to local businesses.
37. Recently the Government has announced it will support councils for 75% of shortfalls in some of its fees and charges, this however does exclude shortfalls in commercial income. This support is welcomed, and the council is awaiting further guidance on how this programme of support will operate.

38. At this stage it is not clear what the short impact of Covid-19 will be for the council. The council has been prudent when setting aside reserves to manage future uncertainty including £5m of general reserves and £3m for managing short term reductions in business rates income
39. However, the council's reserves are set aside to manage the medium to long term impact of the pandemic including the risk of a sustained recession. As such, through its membership of local authority networks, South Ribble Council continues to lobby the Government to provide the level of support to district councils that it has been provided to support social services and the NHS.

Reserves

40. The total balance on reserves at the beginning of the financial year was £19.519m. Table 6 below shows the movements on the reserves for 2019-20. The details of the purposes of each earmarked reserve and the movements in the balances are as follows:

- Apprenticeships – This reserve was created in 2016/17 to fund the cost of taking on a tranche of new apprentices each year. The costs of the apprentice posts have since been factored into the base budgets and the reserve is no longer needed. It is proposed to move this into the general fund.
- Borough Council Elections – The budget includes a £40,000 top up of this reserve every year to build up a fund for local elections that take place every 4 years. Table 6 reflects the reserve being topped up fully using the surplus in 2019/20. This will remove the budgeted contribution to the reserve of £40,000 per annum for the next 4 years.
- Borough Investment Account – This reserve was created for the purpose of purchasing investment property to generate more rental income for the revenue budget. No purchases have been made yet. The reserve has been used to fund the contract costs of the council's investment property advisers, LSH. That contract has now expired.
- Business Rates Retention – This reserve exists as a contingency to cover any unexpected shortfalls in business rates funding that may occur within a one- or two-year period to allow time for the council's budgets to be realigned. There are inherent risks regarding the future of the business rates retention scheme itself and the pending revaluation, nationally, of all business rates. Also, it is uncertain what the full effect of Covid-19 will be on collection rates. Therefore it is recommended to increase this reserve further at this time. Table 6 reflects the residual surplus of £631,000 for 2019/20 (as described in the Executive Summary) being transferred in.
- Capital Funding – The 2019/20 approved budget included the transfer of the forecasted surplus in 2018/19 of £716,000 to the capital funding reserve.
- City Deal – This reserve exists as a contingency to fund any unexpected costs that arise in relation to City Deal. The movements reflect what was budgeted - £200,000 transfer to revenue to fund growth items and £340,000 transfer in from an anticipated surplus on the collection fund.
- Climate Change – The approved budget for 2020/21 included the creation of a Climate Change reserve of £250,000. This has been reflected using the surplus in 2019/20.
- Credit Union – As part of the quarter 3 budget monitoring report, Cabinet approved the creation of a Credit Union reserve of £150,000 using the surplus in 2019/20.

- Housing Needs Surveys – This reserve is topped up each year so that when housing surveys are needed to be carried out there is funding available.
- Local Plans – The purpose of this reserve is to meet the forecasted expenditure requirements in relation to the Local Development Framework.
- My Neighbourhoods – This is the balance of unspent funding for the My Neighbourhoods forums. The underspend in 2019/20 was £13,000.
- Performance Reward Grant – This is the balance of unspent PRG funding.
- Repairs and Maintenance – This reserve exists as a contingency to fund unexpected costs for repairs and maintenance of council properties that cannot be covered by existing revenue budgets. The approved capital programme for 2020/21 onwards allocates this reserve to the leisure centres refurbishments scheme, which has a total budget of £2.1m
- Restructure Costs – This reserve was created in 2017/18 to fund costs associated with the senior management restructure. It is recommended to increase the balance to £200,000 for potential cost relating to the expansion of shared services.
- Section 106 Affordable Housing and Other – These reserves have been created for accounting purposes so that Section 106 income is not restricted to being classed as a capital grant. The movements relating to the Section 106 that was brought forward from 2018/19 are detailed in Table 7 in the Capital Programme section below.
- Transformation Fund – This reserve is being used to fund the IT Digital Strategy costs in the capital programme.
- Other Earmarked Reserves – This reserve comprises three elements: approved carry forwards of underspends that have not yet been allocated, surplus income relating to Sports Development, and miscellaneous ring-fenced grant income specific to certain service areas. The movement between reserves figure is due to carry forwards from prior years not being required, and therefore released back to the general reserve.

41. Appendix C shows the planned movement in reserves in 2020/21 and the 3 years after.

Table 6: Reserves Summary

| Reserve Name | Opening Balance £'000 | Transfers In £'000 | Transfers Out £'000 | Capital Financing £'000 | Movemnt Between Reserves £'000 | Closing Balance £'000 |
|-----------------------------|-----------------------------|--------------------------|---------------------------|-------------------------------|---|-----------------------------|
| Earmarked Reserves | | | | | | |
| Apprenticeships | (267) | - | - | - | 267 | - |
| Borough Council Elections | (114) | (222) | 176 | - | - | (160) |
| Borough Investment Account | (4,594) | - | 17 | - | - | (4,576) |
| Business Rates Retention | (2,751) | (631) | 73 | - | - | (3,309) |
| Capital Funding | (3,073) | (734) | 5 | 287 | - | (3,514) |
| City Deal | (1,711) | (340) | 200 | - | - | (1,851) |
| Climate Change | - | (250) | - | - | - | (250) |
| Credit Union | - | (150) | - | - | - | (150) |
| Housing Needs Surveys | (83) | (17) | - | - | - | (100) |
| Local Plans | (255) | - | - | - | - | (255) |
| My Neighbourhoods | (54) | (13) | - | - | - | (67) |
| Performance Reward Grant | (47) | - | 20 | - | - | (27) |
| Repairs and Maintenance | (500) | - | - | - | - | (500) |
| Restructure Costs | (27) | (173) | - | - | - | (200) |
| Section 106 Affordable Hsg | - | (603) | - | - | - | (603) |
| Section 106 Other | - | (604) | - | - | - | (604) |
| Transformation Fund | (500) | - | - | 85 | - | (415) |
| Other Earmarked Reserves: | | | | | | |
| Ring-fenced grants | (359) | (270) | 62 | 78 | - | (489) |
| Sports Development income | (297) | (40) | - | - | - | (337) |
| Carried forward underspends | (207) | (126) | 147 | - | 61 | (125) |
| | (14,839) | (4,172) | 700 | 451 | 328 | (17,532) |
| General Reserve | (4,680) | - | - | - | (328) | (5,008) |
| Total | (19,519) | (4,172) | 700 | 451 | - | (22,541) |

Capital Programme

42. Appendix B lists all the capital schemes within the programme and the detail regarding budgets, spending and forecasts.
43. Table 7 below shows the movements in capital funding. As noted in the Reserves section above, from 2019/20 onwards Section 106 receipts are being taken to a revenue reserve to allow greater flexibility in using the funding for revenue costs if needed.
44. The majority of the balance of Section 106 funding is allocated to schemes within the capital programme. Several receipts totalling £523,000 have stipulations that they must be used for highways work and have been earmarked to be paid to LCC once the relevant works are completed. The unallocated balance is £359,000. There are three large value affordable housing schemes that will use all of the affordable funding – Station Road Bamber Bridge, McKenzie Arms Bamber Bridge and an Extra Care facility. The other Section 106 funding is allocated mostly to parks and open spaces schemes within the programme.

Table 7: Capital Funding

| Funding Stream | Opening Balance £'000 | Received £'000 | Release to Revenue £'000 | Capital Financing £'000 | Closing Balance £'000 |
|-------------------------------------|-----------------------------|-------------------|-----------------------------------|-------------------------------|-----------------------------|
| Grants and Contributions | | | | | |
| City Deal capital funding | - | - | - | - | - |
| Community Infrastructure Levy (CIL) | (1,399) | (1,029) | 248 | 150 | (2,029) |
| Disabled Facilities Grant (DFG) | (315) | (691) | - | 691 | (314) |
| External Contributions | - | (39) | - | 39 | - |
| Housing grants repaid | (33) | - | - | 33 | - |
| Land Release Fund | (362) | - | - | - | (362) |
| RHP Housing | (104) | - | - | - | (104) |
| Section 106 Affordable Housing | (4,486) | - | - | 45 | (4,441) |
| Section 106 Other | (2,368) | (91) | 16 | 656 | (1,787) |
| Other grants and contributions | (46) | (6) | - | 27 | (25) |
| | (9,112) | (1,855) | 264 | 1,640 | (9,063) |
| Section 106 Expired | (435) | - | 250 | 78 | (107) |
| Capital Receipts | (827) | (13) | - | 839 | - |
| Total | (10,373) | (1,868) | 514 | 2,558 | (9,170) |

COMMENTS OF THE STATUTORY FINANCE OFFICER

45. The contents of the report outline the financial implications for the council

COMMENTS OF THE MONITORING OFFICER

46. Clearly it is important that a council should report openly and transparently with regard to the monitoring of the budget. Residents need to know how the council is performing. From a legal perspective there are no concerns to report.

APPENDICES

Appendix A (included within this document) – Staffing Vacancies at 31st March 2020

Appendix B – Capital Programme 2019-20

Appendix C – Reserves Planned Movements

Leadership Team Member's Name: James Thomson

Job Title: Deputy Director of Finance (and Section 151 Officer)

| | |
|--|----------------------------|
| Report Author: | Date: |
| James McNulty (Senior Management Accountant) | 24 th July 2020 |

Appendix A: Staffing Vacancies at 31st March 2020

| Post | Notes |
|---|--|
| Chief Executive | |
| Deputy Chief Executive (Regeneration and Growth) | These posts have been deleted from 1 st April 2020 to reflect the new shared services arrangements. |
| Deputy Chief Executive (Resources & Transformation) | |
| Neighbourhoods and Development | |
| Graphic Designer | Vacant since 30/11/19. The post is being kept vacant pending the outcome of phase 2 of the expansion of shared services. |
| Engineering Technician | Vacant since 14/09/19. The post was created by upgrading an apprentice role but the person in post then left the organisation. The team is able to function without this role and so there are plans to delete it and create an additional Facilities Management role to bolster that service. |
| HGV Mechanic | Vacant since 11/03/20 |
| Senior Clerical Assistant | Vacant since 06/03/20 |
| Planning and Property | |
| Assistant Director of Housing & Property | Vacant since 22/03/20. The post is being kept vacant pending a restructure of the senior posts within the directorate. |
| Planning Compliance & Monitoring Officer | Vacant since 01/08/19, when the new structure was implemented. The post is being kept vacant to assess whether it is required in the long term. Agency support has now been procured. |
| Estates Officer | Vacant since 05/04/20 |
| Apprentice | Vacant all year. The post was intended to be used for the Gateway team. There were no suitable candidates when it was advertised. |
| Finance and Assurance | |
| Shared Director of Finance | Vacant all year |
| Auditor 1.2 FTE from two posts | The posts were all being filled by agency staff. |
| Insurance Officer | The post holder was on long term sickness absence and another officer has been acting up. Agency support was used to back-fill the other officer's post. |
| Legal HR and Democratic Services | |
| Director of Director of Legal, HR & Democratic Services | This post was vacant all year but has been replaced by the Director of Governance in the new shared services arrangements. |
| Borough Solicitor | These posts have been deleted from 1 st April 2020 to reflect the new shared services arrangements. |
| Head of Legal HR & Democratic Services | |
| Business Support Coordinator | Vacant since 31/12/19. The post is part was transferred to Chorley as part of shared services and is being kept vacant pending phase 2. |

| Post | Notes |
|--|---|
| Governance & Member Services Team Leader | Vacant since 02/02/20. The post has been replaced by a lower-graded Democratic & Member Services Officer role. Interviews are arranged for July. The saving from reducing the grade will be incorporated into the shared services review. |
| Head of Licensing | Vacant since 23/02/20. The post is being kept vacant pending the outcome of phase 2 of the expansion of shared services. |
| Customer and Digital | |
| Gateway Officer | Vacant since 01/12/19 |
| Gateway Receptionist | Vacant since 01/11/19 |
| Gateway Receptionist | Vacant since 02/02/20 |
| IT Security Support Officer | Vacant since 01/07/19, when a restructure was implemented. The post has been advertised twice but there have not been suitable candidates to appoint. |
| IT Senior Network Support Analyst | Vacant since 14/02/20. The post holder retired and there was a pension strain cost of £74,100. The post will be kept vacant during 2020/21 to fund that cost. |
| Revenues & Benefits Officer | Vacant since 29/02/20. Another post is due to become vacant at the end of July. Options are being considered regarding potential regrading of these posts and/or other minor restructure changes within the team. |