



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Finance and IT
DATE:	10 November 2016

PORTFOLIO/S AFFECTED:	Resources
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2016/17 – Quarter 2 30 September 2016

1. EXECUTIVE SUMMARY

The report details the overall capital financial position of the Council, highlighting major issues and explaining variations in the second quarter of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked to approve the revised capital programme as per Appendix 1, together with the variations shown in Appendix 2.

3. BACKGROUND

All portfolios are required to examine their capital budget position on a monthly basis.

4. KEY ISSUES & RISKS

a) The projected aggregate cost of the Council's capital investment for 2016/17 has now decreased from £40.902 million, as approved by Executive Board on 11th August 2016, to £36.749 million. The net variation of £4.153 million (detailed at Appendix 2), reflects the requested variations to the programme of £0.991 million and transfers from the 2016/17 programme into future years of £5.144 million.

b) As at 30th September 2016, the capital expenditure across the portfolios was £10.056 million (27.3% of the current projected spend).

c) The estimate of capital receipts expected in 2016/17 is £2.1 million; to date £0.766 million has been received.

5. POLICY IMPLICATIONS

The information contained within the report accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2016-20, as approved at Finance Council on 29th February 2016.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2016/17 are summarised by portfolio in Appendix 1. Details of all variations requested in scheme budgets for the quarter are set out in Appendix 2.

The capital programme for 2016/17 has decreased in the second quarter of the year by £4.153 million. The major capital variations to note are as follows:

6.1.1 Environment

Replacement of On and Off Road Pay and Display Car Parking Machines

Approval is sought to add this scheme to the capital programme. The machines currently in use are now over 12 years old and well beyond their economic life span. This results in high repair costs and down time on many of the machines, which reduces the car parking income that is collected; during August 2016, 596 telephone calls were received to report faults on pay and display machines. The new machines are more modern, more reliable and also provide for 'cashless' payment. It is intended that 52 replacement pay and display machines will be installed in Blackburn for both on and off road parking at a cost of £250,000. The parking income budget will be increased, and the repair budget reduced, over the economic life of the asset to cover this investment cost.

Alternate Weekly Waste Collections

At Council Forum in July 2016, as part of the programme to deliver significant financial savings to address the budget funding gap, the decision was taken to move to alternate weekly collections of waste and a programme for new, larger replacement bins was established of £200,000 to facilitate this. To date 18,000 new larger bins have been ordered at a cost of £270,345 and it is anticipated that a further 4,000 larger bins will be required. A request is made to increase the capital programme in respect of this by £130,500.

6.1.2 Leisure, Culture & Young People

Making Rooms Refurbishment

As per the report approved by Executive Board report on 9th June 2016, £451,000 was added to the capital programme for refurbishment costs of the building in which the project is based. This is to be funded by grant from the Lancashire Enterprise Partnership. The final costs for the refurbishment have not yet been confirmed but are expected to be in the region of £585,000. A request is made to increase the capital programme in respect of this by £134,000 which will be funded by unsupported borrowing.

6.1.3 Neighbourhoods and Prevention Services

Development Investment Fund

Further to the Executive Member Decision of 15th September 2016, request is made to add a Development Investment Fund scheme to the capital programme. The Development Investment Fund budget of £250,000 will be initially funded from the New Homes Bonus, with future capital receipts used to replenish the budget for use on new sites being prepared for development. There are 10 development project sites that have been identified to utilise this funding between now and March 2018.

S106 Affordable Homes Funding Budget

Within the Development Investment Fund Executive Member Decision report referred to above, approval was also given to create an Affordable Homes Fund scheme within the capital programme. There is currently £104,000 in the S106 Fund earmarked revenue reserve relating to affordable housing commuted sums income. It is intended to use this funding to support Council and private sector sites able to provide affordable homes across the borough.

6.1.4 Regeneration

Local Transport Plan

The original programme was overstated as the Highways Network Recovery contribution of £595,000 was accounted for on both the Local Transport Plan Capital Scheme and the Highways Network Recovery Scheme. This, together with an additional S106 contribution for Gibb Lane, results in a net decrease on the scheme of £535,000.

6.1.5 Resources

Corporate ICT - A request is made to add £600,000 in respect of the replacement Finance System scheme to the capital programme. This will be funded from the earmarked Corporate ICT Capital Reserve, approved in the budget for 2016/2017.

Corporate ICT Replacement Infrastructure – A request is made to slip £834,000 into future years as the department has been able to secure support on existing infrastructure thereby negating the need for replacement at this time and have also identified less expensive ICT solutions for the storage system required for the Council.

Corporate ICT HR and Payroll System – A transfer from the earmarked Corporate ICT Capital Reserve is requested to cover the resource time for the implementation of phase 2 on the Time & Attendance and Talent & Performance/Training modules, at a cost of £25,000.

Corporate ICT Microsoft EA – Approval was received to go out to procurement for a replacement Microsoft Agreement. A request is made to transfer £32,000 from the earmarked Corporate ICT Capital Reserve to cover the cost, spread over the next 3 years, of maintaining software licensing for Microsoft Dynamics, Exchange server, Lync and Sharepoint.

6.1.6 Schools and Education

As approved in the budget monitoring report dated 11th August 2016 £4.288 million of the capital grant was profiled to be spent in future years. This is reflected now in Appendix 1 and 2.

6.2 CAPITAL RECEIPTS

The estimate of capital receipts expected in 2016/17 is £2.1 million. £765,950 has been received at the end of September 2016. Any shortfall in receipts would require a corresponding increase in borrowing with consequential revenue costs.

6.3 BALANCE SHEET POSITION

6.3.1 Overview

Good balance sheet management assists in the effective use and control over the Council's assets and liabilities. Key assets comprise of the Council's tangible fixed assets, debtors, investments and bank balances. Key liabilities are long and short-term borrowing, creditors and reserves.

6.3.2 Non-current Assets

Tangible non-current assets include property, plant and equipment held by the Council for use in the production or supply of goods and services, for rental to others or for administrative purposes. Property assets are the responsibility of the Resources portfolio. One fifth of all assets are re-valued every year and annual reviews are undertaken to establish whether any impairment or other adjustment needs to be applied. New assets, and enhancements to existing assets, are managed by way of the capital programme, which is reported in Appendix 1.

6.3.3 Borrowing and Investments

The Council has continued its strategy of delaying long-term borrowing for use in financing capital expenditure by utilising short term borrowing instead. No long term borrowing was taken in 2014/15, 2015/16 or in the current year to date. Economic forecasts indicate that interest rates will remain low and as a result further net savings on interest of £75,000 are now expected and are reflected in the accounts.

The current borrowing and investment position is as follows:

	Amounts at 30/09/16 £000	Amounts at 31/03/16 £000
Short term borrowing	36,000	18,500
Long term borrowing	127,903	134,684
Transferred debt re Local Government Re-organisation	16,325	16,658
Recognition of debt re PFI arrangements	69,323	70,095
Investments made by the Council	14,000	10,550

The totals include the debt recognised on the balance sheet as a result of accounting adjustments for bringing the new BSF school buildings in to use which are financed through PFI arrangements. These adjustments are made to ensure that the Council's effective control over, and use of, these assets is recognised with corresponding adjustments to the debt. These changes do not add to the costs faced by the Council Tax payer as the actual capital costs for these schools form part of the ongoing stream of payments made to the PFI contractor (which are in turn largely offset by PFI grant funding from the Government).

6.6.4 Debtors

The Council has a corporate debt policy as well as other specific policies for the management of debt in the key areas of council tax, business rates, housing benefit overpayments, sundry debts and adult social care. The table below summarises the collection performance of the various debts and the total outstanding debt in the respective areas at a single point in time, i.e. 30th September 2016. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/09/16	Position at 30/09/15
Council tax		
Current year arrears (£000)	24,957	23,613
Previous year arrears (£000)	7,971	6,927
Total Council tax arrears	32,928	30,540
Collection rates	53.7%	54.12%
Business rates		
Current year arrears (£000)	22,062	21,802
Previous year arrears (£000)	2,458	2,312
Total Business rates arrears	24,520	24,114
Collection rates	56.9%	56.5%
Housing Benefit		
Overpayments balances (£000)	2,659	2,580
Collection rates	38.13%	22.2%

6.6.5 Creditors

In general, the Council's policy is to ensure that all creditors are paid within the contractual terms agreed, with a view to optimising cash flow benefit. However for the time being, in response to the Government's request to assist businesses during the recession, the Council is aiming to pay all trade creditors within 10 days of receipt of invoices. Performance in this respect is shown in the table below.

Month	Balance at end of month £'000	Percentage paid within 10 days		
		In month	Year to date	Equivalent previous years
April	5	77.32%	77.32%	88.67%
May	412	84.97%	81.01%	87.65%
June	2180	75.73%	79.20%	88.15%
July	383	67.43%	76.14%	84.33%
August	-783	78.81%	76.69%	84.68%
September	-42	83.20%	77.92%	84.85%

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	0.04
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DATE:	25 October 2016
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BACKGROUND PAPER:	N/A
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