



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 9 February 2017

**PORTFOLIO/S
AFFECTED:** Resources

WARD/S AFFECTED: All

KEY DECISION: YES NO

**SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT
2016/17 – Quarter 3 31 December 2016**

1. EXECUTIVE SUMMARY

The report details the overall capital financial position of the Council, highlighting major issues and explaining variations in the third 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 decreased from £36.749 million, as approved by Executive Board on 10th November 2016, to £32.256 million. The net variation of £4.493 million (detailed at Appendix 2), reflects requested variations to the programme of £1.116 million and transfers from the 2016/17 programme into future years of £3.377 million.

b) As at 31st December 2016, the capital expenditure across the portfolios was £15.547 million (48.2% of the current projected spend).

c) The estimate of capital receipts expected in 2016/17 is £2.1 million; to date £2.158 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 third quarter are set out in Appendix 2.

The major capital variations to note are as follows:

6.1.1 Health and Adult Social Care

Demolition of Feniscliffe HOP

Demolition of this site is currently on hold as planning permission is required for future use. It is therefore requested that £75,000 is slipped into the 2017/18 programme when demolition is likely to commence.

Telecare Project

The outturn spend on the Telecare Project is forecast to be £135,000 which would result in an underspend of £49,000 on the scheme. This scheme is financed fully by Disabled Facility Grant. Approval is requested to use the unspent grant in the financing of the Disabled Facilities Grant Capital Scheme, reducing the prudential borrowing on this.

Shorey Bank

The remaining budget of £186,000 will be used to cover the final costs of the scheme, however these are not expected until 2017/18. A request is made to slip this budget into the 2017/18 programme.

6.1.2 Children's Services

Capital Grant for Two Year Olds

The grant that funds this scheme is not time limited. Approval has been given to spend the current budget of £263,000 on a nursery site at Accrington Road. Replacement boilers will be installed in the property in this financial year at an estimated cost of £30,000. Approval is sought to slip the remaining budget of £233,000 into 2017/18 to cover the further modification costs that are required.

6.1.3 Environment

Alternate Weekly Waste Collections

The spend to date on the scheme is £420,565. Costs that remain to be paid are:

Outstanding costs	
Compound collection points	£15,000
32 x 1100 litre bins	£9,435
Total outstanding costs	£24,435

The move to alternate weekly waste collection has delivered significant savings to address the Council's funding gap, it is requested that the scheme is increased by £114,000 to cover the full implementation costs.

Bus Lane Enforcement Cameras

A request is made to add the purchase of 3 enforcement bus lane cameras costing £58,300 to the capital programme. This is an Invest to Save scheme and the cash limit budget in the portfolio will be reduced in 2017/2018 by this amount.

Flood Risk Management

Following the award of £263,000 grant funding from the Environment Agency, approval is sought to add the following capital schemes to the capital programme as follows:

- Integrated Modelling Works – integration of the Council's model of surface water flooding with the Environment Agency's river flooding model and the United Utilities' sewer flooding model to gain a clearer understanding of the combined flooding risk.
- Bala Close Drainage Improvements – the work will minimise the ongoing flood issue affecting 18 properties on Bala Close.
- Granville Rd/Westland Ave Flood Study – to undertake a detailed investigation and study of preferred options to reduce the flooding issue at these sites.
- Birchall Avenue Diversion Appraisal - to undertake a detailed investigation and study of preferred options to reduce the flooding issue at this site.

6.1.4 Leisure, Culture & Young People

Darwen Leisure Centre

There is a snagging defect on the roof plant equipment at the leisure centre and the company who carried out the work have now gone into liquidation. The costs to carry out the repairs, although not yet confirmed, are expected to be in the region of £30,000. It is therefore requested that the remaining £6,000 budget for the scheme is slipped into 2017/18 to contribute to the costs of the repairs in the new financial year. As additional budget will be required to meet the full costs of repair, further approval will be sought in due course once the details are available.

Witton Athletics - Outdoor Track

There is no further spending expected on this scheme. This scheme was part funded by grant received from Sport England with one of the grant conditions being that defects must be repaired. Any defect costs would normally be covered by the developer's guarantee but as the firm who built the track has gone into liquidation, this guarantee is now void. It is requested to move the remaining scheme budget of £60,000 into an earmarked reserve to cover any future defect costs.

Radio Frequency Identification

This scheme is now complete with just £7,000 of retentions yet to be paid. An underspend of approximately £25,000 is forecast on this scheme.

Bangor Street – Replacement Boilers

The scheme has now completed and has come in at £21,000 less than budget. Bangor Street is being transferred on a 25 year internal repair lease with the Council liable for external repair costs. Approval is requested to use this £21,000 to replace the lighting and refurbish and resurface the car park. These have been identified as Health and Safety hazards and have been prioritised as requiring immediate attention.

Making Rooms Refurbishment

In the Capital Budget Monitoring report dated 10th November 2016 it was reported that the final costs for the scheme were estimated to be in the region of £585,000. Approval was given to cover the increased costs of £134,000 from unsupported borrowing. It has now been confirmed that including the 2.5% retention costs, the total spend on the scheme will be £620,000. A request is made to increase the capital programme by a further £35,000 to meet this.

6.1.5 Neighbourhoods and Prevention Services

Approval is sought to slip the Capital programme budgets in respect of the following schemes into 2017/18 as identified in Appendix 2; reasons for the slippage is noted below:

- Bank Top and Griffin Clearance – to be used to purchase remaining properties through CPO action.
- Neighbourhood Intervention Fund – the Empty Homes project is still ongoing with new properties identified for purchase by agreement or CPO action.
- Empty Homes Cluster – this relates to funding earmarked for a housing refurbishment loan project to support bringing empty properties back into use. This proposal was one of the initiatives outlined in the Empty Homes Strategy and Business Case approved by members in 2016 and is currently being progressed through formal approval but expenditure will not be incurred until 2017/18
- Affordable Homes – S106 monies will be used next year to support the affordable homes delivery.
- Development Investment Fund – the spend on this scheme has been committed but will only complete next year.

Equity Loans

Equity loans are provided to home owners that have had their properties compulsory purchased by the Council, to assist with finding suitable replacement accommodation. Repayment of equity loans totalling £9,000 has been received and a request to recycle this back into the programme is made to enable future equity loans to be provided.

Neighbourhood Intervention Fund

Capital receipts from housing that have been compulsory purchased through the Neighbourhoods and Prevention Services have been received totalling £83,000. It is requested that this is recycled back into the capital programme to allow for further anticipated compulsory purchases.

Insulation For Hard To Treat Properties

A request is made to approve slippage of £50,000 on this scheme, to cover future year costs.

DECC Central Heating Funding

Discussions are ongoing to extend the February completion deadline. If an extension is agreed a significant carry forward on this scheme is envisaged, if this is not agreed any underspend will need to be returned to DECC.

6.1.6 Regeneration

Darwen Three Day Market

£120,000 has been brought forward into the 2016/17 programme from the scheme budget in future years to cover the costs that have been incurred on this scheme in year.

Pennine Reach

As previously reported on 14th July 2016 to Executive Board, it was anticipated that this scheme would potentially be overspent. To assist with covering some of this overspend, approval to vire £500,000 from Local Transport Grant into the Pennine Reach scheme is requested. The scheme is due to complete by the end of March 2017 and final outturn costs will be reported later in the year.

Highways Network Recovery

Approval is sought to increase this scheme budget following receipt of £108,000 from the Department for Transport in respect of Incentive Funding.

Cathedral Quarter Office Block Fit Out Costs

Floor space within One Cathedral Square has been let to Capita and Govnet. The Council has agreed to cover the fit out and incentive costs totalling £357,000 in 2016/17. The 5th, 4th, part of the 2nd and 3rd floors and both retail units still remain empty although there is interest from potential tenants. Fit out and incentive costs for the empty offices are estimated to be £301,000 and these costs will be incurred in 2017/18. Approval is sought to establish the scheme for the full fit out and incentive costs of £658,000, with £357,000 included in the programme costs in 2016/17 and £301,000 in 2017/18.

6.1.7 Resources

Corporate ICT

A number of the Corporate ICT capital schemes will not fully complete by 31st March 2017 and slippage is requested as detailed in Appendix 2.

Old Town Hall Stonework

The works to the Old Town Hall stonework are now complete and slippage of £25,000 into 2017/18 is requested to cover the retention costs. Approval is also requested to move the remaining capital programme budget of £1,502,000 back into the Corporate Property Accommodation earmarked scheme to be utilised on future accommodation schemes in line with the Council's Accommodation Strategy.

Land Remediation Schemes

The work to remediate the sites at Cadshaw and Royshaw Close is still on going and it is anticipated that the future expenditure will be incurred in 2017/18. Approval is required to slip £214,000 of the scheme budget into 2017/18 to meet these costs.

Accommodation Strategy

Approval is requested to transfer the balance on this scheme of £634,000 into the earmarked reserve for Corporate Property Accommodation earmarked scheme to be utilised to deliver the Council's Accommodation Strategy.

Corporate DDA

A number of schemes are currently under review and prioritisation. The work on these will not commence until 2017/2018 and therefore approval is sought to slip £100,000 into 2017/18 to cover these future costs.

Tower Block Air Conditioning

This scheme is now complete and approval is requested to move the underspend of £135,000 into the earmarked reserve for Corporate Property Accommodation earmarked scheme to allow these funds to be used to deliver the Council's Accommodation Strategy.

Griffin Lodge

The works are on hold pending submission of a funding bid for re-development of the site. As there is no expected spend in this financial year, approval is requested to slip the £300,000 scheme budget into 2017/18.

Digital Advertising Screen

As per the Executive Member Decision dated 18th July 2016, the scheme is for the purchase of a digital advertising screen that will be strategically placed on one of the gateways into Blackburn. It is estimated that £240,000 income will be generated over an 8 year period from selling advertising space on the screen. This is an Invest to Save scheme and the investment will be reimbursed from the Resources portfolio revenue budget. The estimated cost included in the Executive Member Decision report was £60,000, however a more accurate costing of £62,000 has since been provided to cover the purchase and installation of the screen. Approval is requested to add this scheme to the Resources capital programme.

6.1.8 Schools and Education

Retentions totalling £9,000 have been paid in the year over and above the level budgeted. Appendix 2 identifies the individual schemes.

Longshaw Juniors

This scheme has been reduced by £215,000, with a reduction of £210,000 in 2016/2017 and £5,000 in 2017/18. The scheme was to cover the costs of repairs to external brickwork and a retaining wall, however the work has now been put on hold and will be reviewed as part of the budget setting process for 2017/2018.

Shadsworth

Infants

Shadsworth infants are funding the repair costs of £55,000 and approval is required to add this to the capital programme. The work has entailed relocation of the nursery, the establishment of an 'Every Child A Reader' centre and fencing.

6.2 CAPITAL RECEIPTS

The estimate of capital receipts expected in 2016/17 is £2.1 million. £2.158 million had been received at the end of December 2016.

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 in its strategy of not taking up long-term borrowing in respect of financing capital expenditure - taking short term borrowing instead. No long term borrowing was taken in 2014/15, 2015/16 or in the current year to date.

The current borrowing and investment position is as follows

	Amounts at 31/03/15 £'000	Amounts at 31/03/16 £'000	Amounts at 31/12/16 £'000
Short term borrowing	5,000	18,500	39,000
Long term borrowing	140,485	134,684	127,887
Transferred debt re Local Government Re-organisation	17,352	16,658	16,158
Recognition of debt re PFI arrangements	71,536	70,095	68,937
Investments made by the Council	7,460	10,550	16,400

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing into use the new BSF school buildings 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).

6.3.4 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. 31st December 2016. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/16	Position at 31/12/15

Council tax		
Current year arrears (£000)	11,932	10,342
Previous year arrears (£000)	7,617	6,581
Total Council tax arrears	19,549	16,923
Collection rates	78.17%	80.25%
Business rates		
Current year arrears (£000)	9,285	9,280
Previous year arrears (£000)	2,406	1,822
Total Business rates arrears	11,691	11,102
Collection rates	82.7%	81.65%
Housing Benefit		
Overpayments balances (£000)	2,636	2,718
Collection rates	46.12%	29.15%

6.3.5 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	Percentage paid within 10 days		
	In month	Year to date	Equivalent previous years
April	77.32%	77.32%	88.67%
May	84.97%	81.01%	87.65%
June	75.73%	79.20%	88.15%
July	67.43%	76.14%	84.33%
August	78.81%	76.69%	84.68%
September	83.20%	77.92%	84.85%
October	79.96%	78.18%	85.52%
November	65.57%	76.45%	85.4%
December	68.09%	75.44%	84.95%

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:	0.06
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CONTACT OFFICER:	Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)
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DATE:	25 January 2017
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BACKGROUND PAPER:	N/A
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