



# EXECUTIVE BOARD DECISION

**REPORT OF:** Executive Member for Resources

**LEAD OFFICERS:** Director of Finance and IT

**DATE:** 3 July 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 4 31 March 2017**

## 1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31<sup>st</sup> March 2017, highlighting major issues and explaining variations at the year end with regard to portfolio under/overspends and slippage since the last report to the Executive Board in February 2017.

## 2. RECOMMENDATIONS

That the Executive Board:

- a) Notes the final capital outturn for 2016/17 as per Appendix 1, together with the variations shown in Appendix 2.
- b) Agrees that the slippage of £12.049 million in the 2016/17 capital programme across the portfolios and the £4.484 million in respect of Earmarked Schemes can be carried forward into 2017/18 and that the 2017/18 capital programme is amended accordingly.

## 3. BACKGROUND

All portfolios are required to examine their revenue and capital budget position on a monthly basis. Regular reports are submitted to Executive Board for review along with a final report, detailing the financial outturn position.

## 4. KEY ISSUES & RISKS

- a) The Council's capital investment for 2016/17 across the portfolios has decreased from the projection of £32.256 million, reported and approved by Executive Board on 9<sup>th</sup> February 2017, to an actual outturn spend of £22.892 million. The net variation of £9.364 million (detailed at Appendix 2), reflects the total requested variations to the programme of £2.685 million and net transfers from the 2016/17 programme into future years of £12.049 million, excluding earmarked schemes.

b) Capital receipts to the value of £1.983 million were received in 2016/17 and used to support the Minimum Revenue Provision. This compares with the estimate reported to the February Executive Board of £2.158 million.

## **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 27<sup>th</sup> February 2017.

## **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. Variations in spending are set out in Appendix 2.

The total variation at outturn in the Capital Programme across the portfolios compared to the last report approved by Executive Board is £9.364 million, of which £5.195 million relates to slippage on the Schools capital programme. The major capital variations to note are as follows:

#### **6.1.1 Health & Adults Social Care**

##### Demolition of Longshaw HOP

The demolition of Longshaw home for older people is now complete and all costs have been accounted for. An underspend of £102,000 is reported on this scheme.

##### Disable Facilities Grant

A request is made for slippage of £35,000 into 2017/18 to be utilised on future schemes.

##### Day Care Services Upgrade

This scheme has now completed and a underspend of £4,000 is reported.

#### **6.1.2 Children's Services**

##### Disabled Facilities Grant

An underspend of £253,000 has arisen on this scheme due to the lower number of claims made for assistance compared to the number expected. There have also been some delays in the planned works and issues requiring redesign of some of the building work.

Approval is also sought for the slippage of £95,000 to cover the costs of 3 schemes that were approved late in the financial year and which therefore could only commence in 2017/18.

##### Early Education of Two Year Olds

Coach House Nursery has returned grant of £4,500 to the Council, resulting in a surplus on this scheme against the budget. As the grant received for this scheme is not time bound a request is made to slip the budget of £30,000 to utilise in 2017/18.

#### **6.1.3 Environment**

##### Vehicle Purchases

A vehicle has been purchased at a cost of £17,200 for Central Office Services for mail collection and deliveries between Council owned sites. This will be funded from a cash limit

reduction in the Resources Portfolio (over an 8 year period from 2017/2018).

#### **6.1.4 Leisure, Culture and Young People**

##### Library Frontage

This scheme was completed in 2015/2016 with only the retention due for payment in 2016/17. An accrual was raised in 2016/17 to cover the retention, however it did not cover the cost of the technical fees which were also due for payment in 2016/17. The additional technical fee costs have resulted in a further overspend of £1,000 which needs to be funded from main programme borrowing.

##### Radio Frequency Identification

This scheme has now been completed and no further expenditure is expected. An underspend of £26,000, is reported.

##### Making Rooms

All work has been completed on this scheme with only the retention of £15,000 and additional work to the doors of £2,500 outstanding. Accruals have been made for both these costs as these payments will only be made in 2017/18. The position after these accruals is an underspend of £10,000.

Approval of slippage on the following schemes is requested, as these will only complete in 2017/2018:

- Waves Demolition - £99,000 - work on the topping layer at this site is still to be carried out
- Witton Athletics Floodlights - £13,000
- Bangor St Refurbishment of car park - £21,000
- Woolridge Playing Fields - £231,000
- Making Rooms Equipment - £2,000
- Blackburn Leisure Centre Replacement - £176,000

#### **6.1.5 Neighbourhoods, Housing & Customer Services**

##### Bank Top and Griffin

Funding has been committed to pay for one commercial acquisition and for some demolitions. A request is made to slip £99,000 into 2017/18 to cover the costs associated with this.

##### Group Repair

There has been no spend in year and a request is made to slip the £3,000 budget.

##### Insulation for Hard To Treat Places

A request is made to bring forward £4,000 from the future years' programme to cover the costs incurred in year.

### Neighbourhood Intervention Fund

There are a number of outstanding payments on compulsory purchased properties that former owners have not yet claimed. Approval to slip the unspent budget of £134,000 is made to cover the costs of future claims from these home owners.

### Equity Loans

Equity loans are provided to home owners who have had their homes compulsory purchased to assist with relocation expenses. A request to slip the remaining budget of £14,000 into 2017/18 is made to allow payment of future loans.

### Empty Homes Cluster

A housing refurbishment loan project to support the bringing of empty homes back into use was outlined and approved in the Empty Homes Strategy and Business Case in 2016. The work will only commence in 2017/2018 and approval is requested to slip the budget of £60,000 to cover the project costs.

### Other Acquisition Costs

£10,000 is requested to be slipped to 2017/18 to cover the costs from an historic clearance, for which the owner has still not agreed the final price.

### DECC Heating Fund

The Department For Business Energy and Industrial Strategy have authorised that an underspend of £52,000 on the Sefton Metropolitan Council scheme can be utilised on the scheme being led by Blackburn with Darwen Borough Council. The funds have been transferred and the Blackburn scheme has been increased by this amount.

Approval is requested for slippage on the following schemes as expenditure will only be incurred in 2017/18:

- Affordable Homes Funding       £4,000
- Development Investment Fund   £44,000
- CCTV Hub                         £84,000

### **6.1.6 Regeneration**

#### Redevelopment of Former Blackburn Markets Site

This scheme is now complete. There is a shortfall on the funding of this scheme of £46,000 and so a request is made to cover this from the Corporate Property Investment earmarked schemes. Confirmation has been received that in the financial year 2017/18 a further £20,000 will be paid in retention fees. No provision has been made for these costs, therefore a further request to fund this from the Corporate Property Investment earmarked schemes will be made in 2017/18.

### Assistance To Industry

Approval is sought for the virement of £25,000 from the Assistance to Industry Scheme to the Cathedral Café Growth Deal, to cover a funding reduction from the Lancashire Enterprise Partnership. A request is also made for slippage of £37,000 into 2017/18 to cover committed spend.

### Cathedral Quarter Development

Approval is required for the virement of £10,000 from the Local Transport Scheme to this scheme to cover public realm expenditure. Slippage is also requested of £100,000 on this scheme to cover retention costs.

### Cathedral Quarter Office Block Fit Out

Approval is requested to bring forward budget from future years for this project to cover the spend ahead of budget of £30,000 in the year.

### Darwen 3 Day Market

The spend in year totals £152,000 which is £28,000 more than budget. Approval is sought to bring forward budget from future years to cover these costs.

### Blakey Moor

There has been no expenditure on this scheme in 2016/17; as such a request is made to slip the budget of £3.547 million to 2017/18.

### Local Transport Plan

Total virements of £14,000 are requested from this scheme;

- £10,000 to the Cathedral Quarter Development scheme to cover public realm costs and
- £4,000 to the Pennine Reach scheme to offset overspends

### Street Lighting Investment

An underspend of £25,000 is reported on this scheme to date due to an over accrual of costs in 2015/16. A request is made to approve the slippage of £125,000 to cover costs in 2017/18 to complete this scheme.

### Blackburn and Darwen Surface Water Management Plans and Blackburn with Darwen Culvert Study

Underspends are reported on all 3 of these schemes as per Appendix 2. All of these schemes were fully funded by grant from the Environment Agency; the unspent grant will be returned in 2017/18.

### Highways Network Recovery

Approval is required for slippage of £84,000 to cover the costs of further patching works required on the highways.

## Pennine Reach

The overspend previously reported is now confirmed at £2.390 million. Legal discussions are still in progress in respect of performance bonds that may be recoverable by the Council.

## M65 Junction 5 Signalisation

The scheme has underspent in year by £79,000 in relation to an over accrual of costs in 2015/16. A request is made to slip budget of £249,000 on this scheme into 2017/18 to cover costs that will arise in 2017/18.

Approval is sought for slippage into 2017/18 on the following schemes to cover the continuation of works:

- Integrated Modelling Works £11,000
- Bala Close Drainage Improvements £13,000
- Granvill Road/Westland Ave Flood Study £20,000
- Birch Hall Ave Diversion Appraisal £14,000
- Livesey Branch Road Culvert £41,000
- Bury Brook Fold £15,000

## **6.1.7 Resources**

### Corporate ICT

The following ICT capital schemes are not yet complete and slippage is requested as follows:

<b>Scheme</b>	<b>Slippage requested</b>
IT Monitor & management service systems & operational software	£3,000
Digital Services	£11,000
Public Access	£127,000
WAN Connectivity	£36,000
Replacement Infrastructure	£67,000
HR & Payroll System	£2,000
Adult Social Care IT System	£1,000
Digitisation of Planning Service	£167,000
Till and Stock System	£20,000
Finance System	£174,000

### Corporate ICT- System Migration

This scheme is now complete and an underspend of £21,000 is reported. It is requested that this is transferred to the Corporate ICT earmarked schemes to be used on future schemes.

### Corporate ICT – Microsoft Enterprise Agreements

The scheme has overspent by £4,000 against the budgeted costs and therefore approval is sought to slip budget from future years back into 2016/17 to cover this spend.

#### Carbon Management Plan

Slippage of £212,000 is requested to cover costs for LED installation and Building Maintenance Systems networking that will be completed in 2017/18.

#### Old Town Hall Stonework

The budget has overspent by £5,000 this year and so a request is made to slip back budget from future years to cover these costs.

#### Land Remediation Schemes

There is a budget of £214,000 for these schemes that has been established for spend in future years; a request is made to utilise £1,000 of this to cover an overspend in 2016/17.

#### Accommodation Strategy

A request is made for slippage of £30,000 into 2017/18 to complete works outstanding from 2016/17.

#### Freckleton Street Property Acquisitions

An overall overspend of £1.201 million was reported on this scheme in the Corporate Budget Monitoring Report dated 14<sup>th</sup> July 2016. An overspend of £350,000 is reported on this scheme in 2016/17. . . , Outstanding costs remain relating to the archeology works, fees and compensation claims on compulsory purchased properties.

#### Corporate DDA Work

Approval is sought to slip £77,000 into 2017/18 to cover future costs on this scheme.

#### Velvet Lounge/1-7 Simmons Street

This site is now demolished with a small amount of work to be completed on party walls and fencing. The spend in 2016/17 is over budget by £75,000 and a request is made for this to be covered from the Corporate Property Investment earmarked schemes.

#### Akzo Nobel Demolition

The demolition works are now complete and an underspend of £16,000 is reported on this scheme.

### **6.1.8 Schools and Education**

### Audley Juniors

This scheme has overspent in 2016/17 by £9,000, and further costs will be incurred in 2017/2018 to cover the cost of replacement windows. This overspend is covered by the unallocated schools capital fund.

### Cedars Primary

Work on this scheme will only complete in 2017/18 and so a request is made to slip £461,000 to cover the future spend. In the process of setting the budgets for 2017/18, this scheme was reduced by £300,000 as reflected in Appendix 2.

### Lammack

This scheme is in respect of an additional classroom and has now completed; an overspend of £85,000 is reported which has been funded from the unallocated schools capital fund.

### Longshaw Infants

The scheme relates to an extension and internal remodelling of the infant areas. It has overperformed by £70,000 which will be funded from the unallocated schools capital fund.

### St Barnabas and St Pauls

Preparatory work has been completed on this scheme which relates to the school's extension and as such only £28,000 has been incurred to date. A request is made to slip the unspent budget of £272,000 into 2017/18 to cover future costs.

### Newfield ASD

Demolition on this site has been undertaken prior to commencement of the building work on the autism unit. Building work will commence in 2017/18 and it is requested to slip the unspent budget of £1.635 million into 2017/18.

### Turton/Edgeworth Primary School

Preparatory works have been carried out on this scheme totalling £1,000. A request is made to slip the remaining budget of £99,000 to cover the costs of the entrance extension works which are due to be completed in 2017/18.

### Longshaw Juniors

This scheme is now complete with costs less than those expected therefore an underspend of £5,000 is reported.

### Audley Nursery, Longshaw Nursery and Feniscowles Junior



The school capital programme has been reviewed and it has been agreed that these schemes are no longer a priority in the programme. As such, an underspend on the schemes is reported of £91,000 which will be transferred into the schools unallocated capital fund.

#### Holden Fold

The demolition of this site is now complete and an overspend of £19,000 is reported on this scheme. This has been met from the schools unallocated capital fund.

#### Crosshill

There have been problems in the delivery of this scheme e.g. the need for additional foundation works and crane hire to facilitate access to the site for the modular building. As a result, this scheme is £98,000 over budget. This has been funded from the schools unallocated capital fund and through additional contributions from the school.

#### Roe Lee Primary

This scheme is for the refurbishment of the kitchen area which is now complete and all costs have been accounted for in 2016/17. An overspend of £33,000 is reported which has been funded from the schools unallocated capital fund.

#### Lower Darwen

The scheme is complete however additional costs have been incurred in respect of replacement ovens and other additional works required which were not included in the original estimates. The overspend of £32,000 has been funded from the schools unallocated capital fund.

#### Ashleigh

Spend of £2,000 has been incurred in year relating to retentions on an old scheme for repointing at the school for which no budget was set aside. This has been funded from the schools unallocated capital fund.

#### Brookhouse

Approval is sought to add a new scheme to the capital programme for fencing at this site. The cost is £12,000 and is to be funded from the schools unallocated capital fund.

### **6.1.9 Earmarked Schemes**

A request for approval is made to slip the budgets remaining in the earmarked schemes, as per Appendix 2, to cover the costs of future schemes.

## **6.2 CAPITAL RECEIPTS**

Actual capital receipts at the end of March 2017 were £1.983 million all of these were fully utilised in support of the Minimum Revenue Provision.

## **6.7 BALANCE SHEET POSITION**

### **6.7.1 Overview**

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

### **6.7.2 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 adjustments need to be applied. New assets, and enhancements to existing assets, are managed by way of the capital programme, as reported on in Appendix 1.

### **6.7.3 Borrowing and Investments**

Long term borrowing requirements flow from the capital programme. Regular dialogue and meetings take place between the Director of Finance & IT, her staff and the Council's independent Treasury consultants, Arlingclose, and options for optimising borrowing requirements are actively reviewed.

No long term borrowing has been taken for the last three years. While short term borrowing has historically been used to help with cash flow management, for the last three years it has also been used strategically to cover the borrowing requirements generated by the capital programme and the repayment of existing long term debt. This has generated significant revenue savings and has reduced investment exposures and risk. Going forward, it is recognised that this approach could impact on the Council's opportunities for obtaining the maximum benefit from future interest rate changes and as such will continue to be monitored.

The Council's surplus cash balances are managed on a day to day basis in line with the Treasury Management Strategy approved by Finance Council. The Council spreads its investment risk over a number of institutions and has limits on how much can be invested in any one institution and for how long. The list of approved institutions is kept under regular review by the Treasury Management Group in conjunction with information from the Council's treasury consultants.

The key outturn variation was a saving of £4,394,000 in respect of a reduced MRP (Minimum Revenue Provision) charge, following an in-year review of the Council's MRP Policy. Other minor variations, compared to final monitoring, were savings on interest on borrowing of £15,000, and increased interest and dividends earned of approaching £70,000.

Treasury debt and investments at year end were as follows:

	Amounts at 31/03/17	Amounts at 31/03/16

	£000	£000
Short term borrowing	57,000	18,500
Long term borrowing	127,122	134,684
Transferred debt re Local Government Re-organisation	15,992	16,658
Recognition of debt re PFI arrangements	68,552	70,095
Investments made by the Council	22,075	10,550

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).

#### 6.7.4 Debtors

The Council has a corporate debt policy and more specific policies for 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. 31<sup>st</sup> March.

	Position at 31/03/17	Position at 31/03/16
<b>Council tax</b>		
Current year arrears (£000)	2,751	2,633
Previous year arrears ( £000)	7,337	6,318
<b>Total Council tax arrears</b>	<b>10,088</b>	<b>8,951</b>
Collection rates	95.97%	95.37%
<b>Business rates</b>		
Current year arrears (£000)	1,378	1,122
Previous year arrears (£000)	2,071	1,680
<b>Total Business rates arrears</b>	<b>3,449</b>	<b>2,802</b>
Collection rates	98.5%	99.2%
<b>Housing Benefit</b>		
Overpayments balances (£000)	2,706	2,716
Collection rates	48.80%	35.35%
<b>Sundry debt</b>		
Arrears balances (£000)	4375	4,944
<b>Adult Social Care debt</b>		

Arrears balances (£000)	253	410
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### 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

None

### 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.

<b>VERSION:</b>	<b>0.1</b>
<b>CONTACT OFFICER:</b>	<b>Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)</b>
<b>DATE:</b>	3 July 2017
<b>BACKGROUND PAPER:</b>	N/A