



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 10 August 2017

PORTFOLIO/S AFFECTED: Resources

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2017/1 – Quarter 1 30 June 2017

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2017, highlighting issues and explaining variations in the first 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 2017/18 has now increased from £17.884million, as approved by Finance Council on 27th February 2017, to £38.946 million. The net variation of £21.062million (detailed in Appendix 2) reflects;

- requested variations to the programme following the finalisation of the outturn position for 2016/17 (£9.837 million) and
- variations made to reflect the approval of programmes during the first quarter of the year (£11.225 million).

b) As at 30th June 2017, the capital expenditure across the portfolios was £1.57 million (4.03% of the current projected spend).

c) The estimate of capital receipts expected in 2017/18 is £2.557 million; to date £170,000 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 2017-20, as approved at Finance Council on 27th February 2017.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2017/18 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2017/18 has increased in the first quarter by £21.062million. The major capital variations to note are as follows:

6.1.1 Children's Services

Early Years Capital Fund

Grant funding of £347k has been secured from the Education Funding Authority to support the delivery of 30 hours free childcare for working parents of 3 and 4 years olds, building on the existing 15 hour universal entitlement. Match funding of £114k has been agreed from the Council which will be financed through revenue contributions and Devolved Formula Capital funding. The grant will fund specific capital build projects to provide capacity to deliver 30 hour places for the following establishments within the Borough:

- Audley Children's Centre - £133k
- Little Harwood Children's Centre - £94k
- Longshaw Nursery School & Childcare Centre - £189k
- Stepping Stone's Nursery - £61k (with the match funding for this scheme of £15,000 to be met the independent owners of this nursery).

Each project will be treated as an individual capital scheme, as per Appendix 2, and approval is requested to add these to the capital programme.

6.1.2 Environment

Old Bank Lane Car Park

As approved by the Executive Board in July, this scheme is for the building of a 500 space car park on Old Bank Lane to address the inadequate parking provision for both the hospital and local businesses. The budget for this scheme is £1.196 million and covers the costs to surface and mark out the car park and the installation of barriers, lighting and pay and display machines.

6.1.3 Regeneration

Cinema and Leisure Development

At the Executive Board meeting in April 2017, approval was given for a cinema and leisure development on the site of the former Waves centre. This is a £6.5 million scheme and the final proposals recommended direct development by the Council, subject to securing a contractual commitment with a cinema/leisure operator to take a lease of the building on completion. Approval is required to add this to the capital programme.

Housing Zones Capacity Funding

£125k has been received in respect of Housing Zones Capacity Funding. This will be used to carry out intrusive ground investigations and option assessments for sites at Blackamoor, Haslingden Road and other sites within South East Blackburn. The detailed work will be used to assess and prepare the sites for development. Approval is sought to add this scheme to the capital programme.

6.1.4 Schools and Education

Education Planned Capital Programme

The requested programme variation of £1.197 million includes;

- £1.329m of new capital programme to reflect the Department of Education funded schemes that will largely take place over the summer, these incorporate a new heating system and roofing works at Audley Infants and Juniors School along with various smaller schemes at a variety of other establishments
- £1.082 brought forward from the school's capital programme agreed for future years in respect of the demolition of Newfield ASD school and works at St Barnabas and St Pauls and Audley Juniors school.

6.1.5 Resources

Corporate ICT

Corporate ICT Adults Mobile Working

A request is made to add the ICT adults mobile working scheme to the capital programme at a cost of £12,000. This scheme will require the purchase of smart phone handsets to allow social work staff to work both remotely and onsite during appointments, which will reduce the current level of hard copy documents, and their transportation. This is an 'Invest to Save' scheme and will be funded from a transfer from the Corporate ICT Earmarked Capital Reserve.

Corporate ICT Leisure System

A new ICT leisure system will be implemented at ten sites across Blackburn with Darwen Borough Council. The primary driver for replacing the current leisure system is to provide customers with a flexible/digital service and to offer online functionality for them to book and pay for services. This is an 'Invest to Save' scheme, as implementation will result in efficiency savings. The cost to implement this system is estimated at £48,000 and approval is requested to add this to the programme funded from a transfer from the Corporate ICT Earmarked Capital Reserve.

6.1.6 Earmarked Schemes

Approval is sought to slip £1.514 million from the Accommodation Strategy Earmarked scheme, as per Appendix 2, to cover the future year costs of schemes identified in the development of this strategy.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of June 2017 were £170,000; all of these receipts will be utilised in support of the Minimum Revenue Provision.

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 the Council's tangible fixed assets, debtors, investments and bank balances. Key liabilities include 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 adjustments need to be applied. New assets, and enhancements to existing assets, are managed by way of the capital programme, as reported in Appendix 1.

6.3.3 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, and options for optimising borrowing requirements are actively reviewed.

The Council has continued its strategy of financing capital expenditure through short term borrowing, at this time, whilst short term borrowing costs remain low. The last long term borrowing arrangements put into place was over three years ago. Most economic forecasts indicate a continuation of low interest rates for the short to medium term. The continuing lower interest rates, together with lower than forecast outturn capital spend in 2016/17, have generated projected savings of £243,000 on interest costs and on the projected 2017/18 Minimum Revenue Provision (MRP). It should be noted that the changes to the MRP policy adopted in January 2017 will mean that future variations in the level of capital receipts will impact on the MRP charge for the year.

The current borrowing and investment position is as follows

	Amounts at 31/03/16 £000	Amounts at 31/03/2017 £000	Amounts at 30/06/17 £000
Short term borrowing	£18,500	£57,000	£65,000
Long term borrowing	£134,684	£127,122	£127,122
Transferred debt re Local Government Re-Organisation	£16,658	£15,992	£15,992
Recognition of debt re PFI arrangements	£70,095	£68,551	£68,267
Investments made by the Council	£10,550	£22,075	£30,475

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing the 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).

6.3.4 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 and housing benefit overpayments. 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 June 2017. The table also shows the corresponding

level of debt at the same point in the last financial year.

	Position at 30/06/17	Position at 30/06/16
Council tax		
Current year arrears (£000)	40,664	38,632
Previous year arrears (£000)	9,514	8,413
Total Council tax arrears	50,178	47,045
Collection rates	27.88%	27.88%
Business rates		
Current year arrears (£000)	33,530	37,603
Previous year arrears (£000)	3,254	3,013
Total Business rates arrears	36,784	40,616
Collection rates	29.7%	26.3%
Housing Benefit		
Overpayments balances (£000)	2,774	2,650
Collection rates	11.64%	10.10%

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.

VERSION:	V2
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DATE:	31 July 2017
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BACKGROUND PAPER:	N/A
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