



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 9 November 2017

PORTFOLIO/S AFFECTED: Resources

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2017/18 – Quarter 2 30 September 2017

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th September 2017, highlighting issues and explaining variations in the first 6 months of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked;

- to approve the revised capital programme as per Appendix 1,
- to approve the variations to the programme 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 programme for 2017/18 has now been adjusted from £38.946 million, as approved by Executive Board on 10th August 2017, to £28.136 million. The net variation of £10.81 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the second quarter of the year (£269,000)
- re-profiling of budgets during the second quarter of the year (£11.079 million).

b) As at 30th September 2017, the capital expenditure across the portfolios was £5.722 million (20.34% of the current, revised projected spend).

c) The estimate of capital receipts expected in 2017/18 is £2.557 million; to date £290,000 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 decreased in the second quarter by £10.810 million, largely due to the review of planned expenditure and the subsequent re-profiling of the programme over 2017/18 and 2018/19 and beyond. The main points to note on the schemes are as follows:

6.1.1 Health & Adult Social Care

Demolition of Feniscliffe HOP

The demolition of Feniscliffe HOP cannot commence until environmental issues, relating to the habitation of bats there, is resolved and planning permission for the site is received.

Tower View Day Centre

This property has been empty for a number of years and has been identified for demolition to free the site up for development. A request is made to transfer funding from the Feniscliffe capital scheme to cover the demolition costs.

Shorey Bank/Riverside Heights

The scheme is due to complete in April 2019. As such any potential void costs, which have been included as part of the scheme budget, will only be payable after this date. Approval is sought to re-profile this element of the scheme budget in to 2019/20.

6.1.2 Environment

Old Bank Lane Car Park

Approval is requested to increase this scheme by £404,000 to match the total budget of £1.6 million, as approved in the Executive Board report dated 13th July 2017.

Pleasington Cemetery

Following approval by the Executive Member for Environment on 7th September 2017, the scheme to resurface the cemetery roadway has now been included in the capital programme. The budget for this scheme is £65,000.

6.1.3 Leisure, Culture & Young People

Blackburn Leisure Centre Replacement

This scheme is now complete subject to payment of final retentions. Subject to these payments, an underspend of £127,000 is reported on this scheme.

Woolridge Playing Fields

Additional grant funding of £99,000 has been secured from the Football Association for this scheme and therefore approval is requested to increase the capital scheme by this amount.

6.1.4 Regeneration

Blakey Moor

This scheme is only due to complete in the financial year 2021/22 and as such £3.397 million has been reprofiled into the capital programme beyond 2017/18 to reflect when the expenditure will be incurred.

Local Transport Plan

Further to the Local Transport Plan 2017/18 Programme Update of 25th September 2017, adjustment is made to the scheme at the end of Quarter 2 of £586,000 in respect of the changes reported in the update. Contributions of £50,000 to the Blakey Moor scheme and of £39,000 to the M65 J5 signalisation scheme are included within the adjustment.

National Productivity Investment Fund

The Council has been successful in a bid into the Department for Transport's National Productivity Investment Fund for the Fabric Borders project. The Department will provide a maximum funding contribution of £2 million in the years 2018/19 and 2019/20 towards an estimated scheme cost of £2.9 million, with £900,000 being match funded from the Council's existing Local Transport Plan allocation.

The scheme will improve pedestrian and vehicular access between Blackburn Town Centre and development areas both north and south of Barbara Castle Way. The reconfiguration of vehicular and pedestrian access and egress routes will improve orbital route congestion, remove barriers and improve pedestrian flows between Blackburn Town Centre and residential / retail areas with a predominantly Asian Heritage population. Improved access to new development sites, under-utilised employment sites and emerging retail and cultural offers will also be delivered by the project which marks the next phase of Blackburn Town Centre's regeneration.

M65 Junction 5 Signalisation

This scheme is now complete; the £210,000 of grant funding from Highways England remain however, as there will be no further spend, this will not be claimed.

Affordable Homes Funding

Section 106 funding totalling £122,800 has been received in respect of provision for affordable homes. A request is made to increase the capital scheme by this amount.

Housing Schemes

Adjustment to the spend profile is requested on the following housing schemes:

Capital Scheme	Slippage Requested To Future Years
Neighbourhood Intervention Fund	£160,000
Equity Loans	£87,000
Empty Homes Cluster	£140,000
Capacity Funding	£50,000

Real Cinema

As part of the review of the estimated timing of spending on this scheme, it is requested that £6.2 million is re-profiled from 2017/18 into 2018/19 and beyond.

6.1.5 Resources

Corporate ICT – Replacement Infrastructure

This scheme will be implemented over a 2 year period and as such, £750,000 of the budgeted cost has been re-profiled to reflect when the expenditure will be incurred.

Corporate ICT – Microsoft Enterprise Agreements

There are 2 agreements left to pay; a request is made to slip £9,000 into the programme for 2018/19 to cover the agreement that will be paid in that year.

Corporate ICT – Nursery Management System

A request is made to add the scheme for the installation and implementation of a digital nursery management system to the capital programme. The cost of the scheme is £29,000 and will be financed by a £17,000 contribution from the Corporate ICT Earmarked Scheme budget together with a revenue contribution of £12,000 from the Children's Services portfolio.

Corporate Disability Discrimination Act (DDA) Work

A review will be completed on any further work to ensure compliance with the DDA across Council properties. A request is made to slip £100,000 into the programme for 2018/19 and beyond to ensure this is spent against future need.

Fishmoor Drive – Training Centre Demolition

As per the Executive Member Decision dated 21 November 2016, the site has been declared surplus; the building will be demolished and the site will be made available for alternative uses. A request is made to add this scheme (costing £185,000) to the capital programme, which will be funded from the Corporate Property Investment Earmarked Schemes budget.

Davyfield Road Bungalow Remodel

Building improvement works are required to the Davyfield Road bungalow building. The building is part of the Council's key office accommodation and is required to provide for agile working. An Executive Member Decision dated 29th March 2017 identified costs, including building works and replacement of furniture, of £287,000. This will be funded from the Accommodation Strategy Earmarked Schemes budget. Approval is sought to add this scheme to the capital programme.

6.1.6 Schools and Education

Our Lady and St John's Sport Pitch

An Executive Member Decision dated 31st March 2017 reported that Our Lady & St John RC High School had secured £590,000 worth of grant funding from the Football Foundation to develop a 3G sports pitch for school and community use. A contribution of £50,000 from the Council has been agreed, to be funded from "non-Voluntary Aided Schools" resources within the Council's capital programme for schools. Approval is now required to add this to the capital programme.

A full review is being undertaken of all the capital schemes for schools. It is likely that a number of the schemes will be re-profiled into the programme for 2018/19 due to issues identified on several of the projects. This slippage will be reported in the Quarter 3 Capital Monitoring Report when the review has been completed.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of September 2017 were £290,000; 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, Arlingclose, 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.

There is no change to the projected net interest position, with an increased cost of £20,000 in relation to interest charges for transferred debt being offset by a further £20,000 reduction in the projected cost of short term borrowing in the current year.

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 30/09/17 £000
Short term borrowing	£18,500	£57,000	£54,250
Long term borrowing	£134,684	£127,122	£127,122
Transferred debt re Local Government	£16,658	£15,992	£15,832

Re-Organisation			
Recognition of debt re PFI arrangements	£70,095	£68,551	£67,700
Investments made by the Council	£10,550	£22,075	£23,725

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 September 2017. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/09/17	Position at 30/09/16
Council tax		
Current year arrears (£000)	27,352	24,957
Previous year arrears (£000)	9,087	7,971
Total Council tax arrears	36,439	32,928
Collection rates	51.80%	53.7%
Business rates		
Current year arrears (£000)	20,352	22,062
Previous year arrears (£000)	2,693	2,548
Total Business rates arrears	23,045	24,520
Collection rates	56.84%	56.9%
Housing Benefit		
Overpayments balances (£000)	2,837	2,659
Collection rates	21.51%	38.13%

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:	V3
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DATE:	26 October 2017
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BACKGROUND PAPER:	N/A
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