



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Finance and IT
DATE:	08 February 2018

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

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2017/18 – Quarter 3 31 December 2017

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st December 2017, highlighting issues and explaining variations in the first 9 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 £28.136 million, as approved by Executive Board on 9th November 2017, to £22.512 million. The net variation of £5.624 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the third quarter of the year £520,000
- re-profiling of budgets during the third quarter of the year (£6.144 million).

b) As at 31st December 2017, the capital expenditure across the portfolios was £10.297million (45.71% of the current, revised projected spend).

c) The estimate of capital receipts expected in 2017/18 is £674,000, however this is dependent on final contract completion dates; to date £294,000 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

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 third quarter by £5.624 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

Disabled Facilities Grant

In the Autumn Budget, the Chancellor announced an additional £42 million of capital funding for the Disabled Facilities Grant in 2017-18 for local authorities in England. The allocation for Blackburn with Darwen Borough Council is £162,153. The funding is to be spent on adaptations for disabled people or other social care capital projects. Approval to add this to the capital programme is now sought.

Slippage of £200,000 on the overall grant programme is requested, as applications for grants in the year to date have been lower than in previous years. The volume of applications has now started to increase however, and the £200,000 slippage is requested to cover the costs of those which will fall into 2018/19.

6.1.2 Children's Services

Two Year Old Grant

In the Capital Budget Monitoring report for the period to 31st December 2016 it was identified that the Accrington Road Nursery could utilise this grant funding to modify and refurbish the building. The scheme has now been fully assessed, the work schedule agreed and it is now out to tender. A request is made to slip £263,000 of the anticipated scheme costs into 2018/19 as the work will not be undertaken until early in the new financial year. This scheme is funded by grant that is not time bound.

Longshaw Nursery School Early Years Capital Fund

DFE funding has been secured for this scheme and as such, the work needs to be completed by 31st March 2018 in order to comply with the grant conditions. In the process of delivery, elements of the scheme required redesign and further approval is still awaited from DfE in respect of this. If the revisions to the scheme are approved but no extension given to the completion date of 31st March, the Council will not be able to meet the deadline and the funding will therefore have to be returned to the DfE.

6.1.2 Environment

Old Bank Lane Car Park

This scheme is due to complete early in the new financial year and as such, a request is made to slip £300,000 of the programme costs into 2018/19 to cover this spend. It should be noted that there is a risk that the scheme could be affected by adverse weather conditions and further slippage may be requested if this is the case.

6.1.3 Leisure, Culture & Young People

Darwen Leisure Centre

Works are required to the air conditioning unit at the Darwen Leisure Centre which are estimated to

cost £55,000. A request is made to utilise £49,000 from the Accommodation Strategy Earmarked schemes to assist in meeting these costs.

6.1.4 Regeneration

Redevelopment of Former Blackburn Markets

The demolition of the Exchange building is now finished and these works complete the scheme. A request is made to transfer £12,000 from the Corporate Property Investment Earmarked schemes in respect of the final costs.

Cathedral Quarter Office Block Fit Out

There is a request for £50,400 from the Corporate Property Investment earmarked scheme in respect of the final costs of the scheme.

Darwen 3 Day Market

The 3 day market has been fully demolished and work will now begin on the public realm. A request is made to slip £1,550,000 of the programme budget into 2018/19 to meet this element of the costs in the new financial year.

Neighbourhood Intervention Fund

Capital receipts from housing that has previously been compulsory purchased have been received totalling £32,000. It is requested that these are recycled back into the capital programme to allow for future compulsory purchases.

Affordable Homes Funding

A request is made to approve slippage of £200,000 from 2017/18 to 2018/19 to meet future capital expenditure in relation to this scheme.

6.1.5 Resources

Corporate ICT Schemes

A request is made to slip the following elements of the individual programme budgets as implementation will now complete in 2018/19.

Scheme	Slippage Requested
Monitoring & Management - service systems	£30,000
Public Access	£150,000
WAN Connectivity	£70,000
Corporate ICT Replacement Infrastructure	£251,000

Corporate ICT –Digital Service

This scheme has now completed and a request is made to transfer the unspent budget of £104,000 into the Corporate ICT Earmarked Schemes.

Corporate ICT – Digitisation of Registrars

The scheme is estimated to cost £100,000 and is to be funded from the Corporate ICT Earmarked Schemes. A request is made to add this scheme to the Capital Programme and to slip £20,000 to cover future costs that will be incurred in 2018/19.

Carbon Management Plan

Spend has been incurred throughout the year on networking building management systems and also

installing LED lighting to a number of Council owned sites. This work should complete by the year end. A number of solar schemes are being reviewed, however work will not commence on these until the new financial year, therefore a request is made to slip £159,000 into the 2018/19 programme.

Land Remediation Schemes

There are a number of closed landfill sites within the borough for which the Council has responsibility for aftercare costs. A number of sites have been assessed as posing no ongoing threat whilst other sites are being actively monitored. Through this monitoring, work has been identified at the Leachgate Chamber requiring works in respect of electrical safety and the gas system. This work is scheduled to be completed by 31st March 2018 and slippage of £199,000 is requested to cover any future remediation works required at other sites.

Freckleton Street Property Acquisitions

The scheme was forecast to overspend as reported previously in Capital Budget Monitoring Reports. Outstanding costs, which include fees and compensation payments, amounting to £65,000 in 2017/18 have been paid out in 2017/18 and a request is made to fund these through Main Capital Programme borrowing.

Corporate DDA

A request is made to slip £69,000 into 2018/19 to be utilised in meeting the costs in future years of any works required to ensure that Council buildings are DDA compliant.

Griffin Lodge

The scheme is under review however it is not expected that any expenditure will be incurred in 2017/18. Approval is sought to slip the £300,000 programme into 2018/19.

Davyfield Road Bungalow Remodel

Additional ICT infrastructure requirements have been identified to ensure the building has the capability to deliver future agile working arrangements. Approval is requested to transfer £10,000 from the Corporate Accommodation Strategy Earmarked schemes to cover these costs.

Due to the demands on the Corporate Building Team to complete other capital schemes by 31st March 2018 to ensure the Council complies with the grant funding conditions, their work in remodelling the Davyfield Road Bungalow has been delayed to 2018/19; as such, a request is made to slip £50,000 from the 2017/18 programme.

Demolition of Velvet Lounge

The demolition of the site is now complete and no further costs are expected on this scheme. The total expenditure in 2017/18 is £21,000 and approval is sought to fund these costs funds from the Corporate Property Investment Earmarked Scheme.

Higher House Farm Demolition

Approval was given to demolish the property to assist the Council in realising employment and residential development plans for the wider site. The scheme is estimated to cost £100,000, to be funded from Corporate Property Investment Earmarked schemes and will be completed in 2018/19.

Digital Advertising Screen

Executive Member approval was received in November 2017 to purchase a digital advertising screen that will be sited outside Blackburn Town Hall. Purchase and installation of the screen is estimated to cost £125,000 and will be funded from the Corporate Property Investment Earmarked Scheme. £30,000 of the expenditure will be incurred in 2017/18 and the remaining £95,000 in 2018/19. Approval is sought to add this scheme to the capital programme. The screen will generate additional advertising income for the Council.

6.1.6 Schools and Education

St Barnabas and St Pauls

The scheme is to reduce by £50,000 to £850,000. There is a land transfer that needs to be completed prior to this scheme commencing but it is highly unlikely that this will be concluded before 31st March 2018 and as such a request is made to slip £790,000 into 2018/19. The reduction of £50,000 will be returned to the Schools and Education portfolio's unallocated capital allocation.

St Thomas Centre Phase 2

The tender for this scheme has now been received and the work is due to commence in March 2018. Approval is therefore sought to slip £457,000 into 2018/19 to cover these costs.

Turton and Edgworth Primary School

The Board of Governors have requested that this scheme is postponed so that the newly appointed Headmaster can oversee this project. Approval is required to slip £99,000 into 2018/19 to accommodate this request.

Audley Infant and Junior - New Heating System

This is a large scale scheme to replace the heating system across the two sites and it is necessary to schedule the work during periods which will cause the least disruption to the school. This scheme will therefore not complete by 31st March 2018 and a request is made to slip £480,000 into 2018/19.

Audley Junior – Roofing Works

Asbestos has been identified in the process of carrying out these works which will delay the completion date. Approval is sought to slip £217,000 into 2018/19.

Feniscowles Shower Room

This work is no longer required and so the budget of £25,000 will be returned to the Schools and Education portfolio's unallocated capital allocation.

Lower Darwen – Roofing

There has been a delay to the works due to nesting birds and work can only commence once the birds have finished nesting. Approval to slip £170,000 to 2017/18 is therefore requested.

6.1.7 Earmarked Schemes

Corporate ICT Earmarked Scheme

The Corporate ICT Replacement Infrastructure scheme (referred to in section 6.1.5 above) would have a balance of £1,001,000 on the current 2018/19 and Future Years scheme, following adjustment for the slippage of £251,000 from the 2017/18 programme. It is requested that this balance is transferred into the Corporate ICT Earmarked Scheme to increase the balance for 2018/19 and beyond to cover future years spend. The replacement of ICT Infrastructure will be subject to future Business Case consideration and approvals sought in line with the Council's Constitution and Standing Orders.

In addition to this adjustment it is also requested to slip £2,665,000 from the 2017/18 to the 2018/19 and Future Years Programme. The IT&MG department is currently working on two schemes, Desktop Refresh (replacement devices for staff) estimated at £1.75 million and Microsoft Server Licensing (licences for Microsoft programmes running on Council servers) estimated at £350,000. Once these schemes have been developed they will be recommended for consideration and approval. The balance of the Corporate ICT Earmarked Schemes for the 2018/19 and Future Years Programme, will be used to support the capital costs of the ongoing digitisation of the Council's infrastructure.

It is important to note however that as IT services move to Cloud based provision, and a 'subscription' model of provision, future costs will most likely need to be treated as revenue expenditure rather than capital; whilst this will reduce the amount of capital funding required, it will in turn place significant pressure on the revenue budget.

Corporate Property Investment Earmarked Scheme

Approval is required to slip £338,000 of this Earmarked Scheme allocation from the 2017/18 programme to meet the costs in future years. This will be utilised to help the Council fulfil its future growth and development plans.

Phase 2 Accommodation Strategy Earmarked Scheme

The Phase 2 Accommodation Strategy Earmarked Scheme does not include any provision in respect of initial proposals on the Accommodation Strategy that is also on the Executive Board meeting agenda. A request is made however to slip the balance of £431,000 on this earmarked scheme from 2017/18 into 2018/19 so that these funds are available to assist in meeting the costs of any future proposals.

6.2 CAPITAL RECEIPTS

Actual capital receipts at 31st December 2017 were £294,000; all of these receipts will be utilised to 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, whilst short term borrowing costs remain low. The last long term borrowing arrangement put into place was over three years ago. Interest rates are forecast to slowly rise over the next few years, but to still remain at what are historically low levels.

There is a £70,400 projected saving against the Council's net interest cost budget, reflecting increased dividend income from the Lancashire Enterprise Partnership (LEP), a small increase in return on investments and a reduction in the 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 31/12/17 £000
Short term borrowing	£18,500	£57,000	£63,250
Long term borrowing	£134,684	£127,122	£126,341
Transferred debt re Local Government Re-Organisation	£16,658	£15,992	£15,672
Recognition of debt re PFI arrangements	£70,095	£68,551	£67,275
Investments made by the Council	£10,550	£22,075	£19,725

The totals above 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. 31st December 2017. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/17	Position at 31/12/16
Council tax		
Current year arrears (£000)	12,042	11,932
Previous year arrears (£000)	8,611	7,617
Total Council tax arrears	21,013	19,549
Collection rates	77.8%	78.17%
Business rates		
Current year arrears (£000)	8,511	9,285
Previous year arrears (£000)	2,286	2,406
Total Business rates arrears	10,797	11,691
Collection rates	81.8%	82.7%
Housing Benefit		
Overpayments balances (£000)	2796	2636
Collection rates	29.27%	46.12%

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:	V4
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DATE:	29 January 2018
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BACKGROUND PAPER:	N/A
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