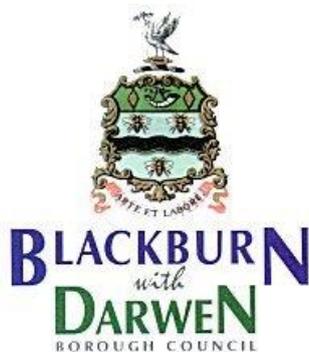


# EXECUTIVE BOARD DECISION



<b>REPORT OF:</b>	Executive Member for Finance and Governance
<b>LEAD OFFICERS:</b>	Director of Finance and Customer Services
<b>DATE:</b>	9 July 2020

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

**SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2019/20 – Quarter 4 as at 31<sup>st</sup> March 2020**

## 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 2020, highlighting key issues and explaining variations at the year end with regard to scheme under/overspends and slippage since the last report to the Executive Board in February 2020.

## 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 total cost of the Council's capital investment programme for 2019/20 has decreased from the projection of £28.941 million, as approved by Executive Board on 13<sup>th</sup> February 2020, to £26.136 million at 31<sup>st</sup> March 2020. The net variation of £2.805 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of schemes during the fourth quarter of the year, including an increase of £0.086 million (of which £0.030 million is funded from reallocation of budgets within the existing 2019/20 programme)
- further variations during the last quarter of the year, for which approval is requested (£3.295 million)
- slippage and re-profiling of budgets during the fourth quarter of the year (£6.156 million).

b) Capital receipts of £2.116 million were received during 2019/20 which were used to support the Minimum Revenue Provision. This compares with the forecast reported to the Executive Board in February of £3.7 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 2019-22, as approved at Finance Council on 25<sup>th</sup> February 2019.

## 6. FINANCIAL IMPLICATIONS

### 6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2019/20 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2019/20 has decreased by £2.805 million in the final quarter. The major capital variations to note are as follows:

#### 6.1.1 New Approved Capital Schemes

Several capital schemes (new schemes and amendments to existing schemes) were approved in the final quarter of 2019/20 and have now been added to the capital programme as follows:

Scheme	Amount 2019/20 Capital Programme	Amount 2020/21 Capital Programme	Approved By	Date Approved
<b>Children's, Young People and Education</b>				
Creation of New School Places – £3 million included in the capital programme agreed at February 2020 Finance Council	-	£6,300,000	Executive Board	12.03.20
<b>Growth and Development</b>				
3-7 Blakey Moor – funded from Corporate Property Investment Fund earmarked scheme	-	£230,000	Executive Member Decision	21.02.20
<b>Digital and Customer Services</b>				
Smart Phone Replacements – funded from Corporate ICT earmarked scheme	£56,000	-	Delegated Officer Decision	05.03.20
Digital Customer Portal – funded from Corporate ICT earmarked scheme	-	£850,000	Executive Board	09.01.20
Reablement System – funded from Corporate ICT earmarked scheme	-	£50,000	Delegated Officer Decision	03.01.20
<b>Finance and Governance</b>				
Darwen Town Hall Re-roofing – funded from Corporate Accommodation Strategy Phase 2 scheme	£30,000	£270,000	Executive Board	12.09.19
<b>Total</b>	<b>£86,000</b>	<b>£7,700,000</b>		

## 6.1.2 Adults and Prevention Services

### Disabled Facilities Grant

Approval is requested to carry forward funding of £147,000 in respect of the Disabled Facilities Grant to use for spend to be incurred in 2020/21.

### Telecare Project

A request is made to carry forward £130,000 of the Telecare Project allocation to fund expenditure on this scheme in 2020/21.

## 6.1.3 Children's Young People & Education

### Disabled Facilities Grant

Approval is requested to carry forward funding of £397,000 in respect of the Disabled Facilities Grant. The allocation has been committed to specific works/projects but due to other commitments in the final quarter of the year, the work could not be completed by the Corporate Building Team prior to 31st March 2020.

### Capital Allocations for Schools

This funding has been retained in an overarching Capital Allocation Fund within the capital programme until bids against this have been approved by the schools so that the fund can be allocated. As such, a balance remains unallocated at the year-end of £1.853 million for carry forward and utilisation in 2020/21.

There have been several requested variations to the programme in respect of schools at 31<sup>st</sup> March 2020 as follows:

<b>Scheme</b>	<b>Slippage £</b>	<b>Other Variations £</b>
Newfield ASD – to fund overspend on the scheme	-	568,000
St Barnabas & St Pauls	232,000	-
Audley Juniors Roof Repairs	34,000	-
Avondale Kitchen	113,000	-
Feniscowles Heating	96,000	-
Shadsworth Infants - Heating	100,000	-
Brookhouse Upgrade Fire Alarm	20,000	-
St Cuthberts SEN	133,000	-
Audley Infants Remodel Reception Class	203,000	-
BCHS/Crosshill SEN	300,000	-
Turncroft Nursery Boiler	28,000	-
Other Schemes – minor slippage on several schemes	19,000	-
Other Schemes – minor variations, over/underspends on several schemes	-	(10,000)
<b>Total Slippage and Variations</b>	<b>1,278,000</b>	<b>558,000</b>
<b>Funded by:</b>		
Capital Allocations	-	533,500
Contingency	-	24,500
<b>Total Variations Funding</b>	<b>-</b>	<b>558,000</b>

The significant variations to note are:

### Newfield ASD

A variation of £568,000 is requested in respect of the Newfield ASD School scheme, to cover the costs of the overspend on this project. Additional works were required over and above the original scope of the scheme including; temporary classroom arrangements, design changes and additional costs associated with the removal of contaminated land. The original budget also omitted costs for the demolition of the existing building on the site; these costs are part of the final overspend reported.

### **6.1.4 Environmental Services**

A request is made to slip the remaining £22,000 of budget in respect of Old Bank Lane Car Park and £10,000 in respect of the Land Remediation scheme into 2020/21 to be used for costs expected to be incurred next year.

### **6.1.5 Growth and Development**

#### Darwen 3 Day Market

The Darwen Market Square scheme is complete and an accrual has been made for the retention that will be released in summer 2020. The scheme has overspent by £526,000, due to additional costs relating to the demolition of the 3 day market; design and project management fees; changes in paving materials due to quarry closure; design changes; replacement of heritage railings; and other highways works. In addition, urgent works to the Market Hall and Annexe to accommodate both relocated and new traders, and creation of a new entrance for the Annexe have contributed to additional spend. A contribution of £42,000 was made from LTP funding, £17,884 was made available from S106 funding with the remaining shortfall of £466,000 met from main programme borrowing.

#### Blakey Moor

Approval is requested to re-profile a further £408,000 into 2020/21 due to delays in the works during the final quarter of the year.

#### Reel Cinema

Delays have been incurred due to the Covid-19 pandemic, and so approval is requested to slip £322,000 into the 2020/21 programme.

#### LTP/NPIF/Growth Deal 3/Darwen East Corridor

As per the Executive Board Report dated 9 January 2020, approval was received to increase the Growth Deal South East Blackburn scheme from £6.8 million to £11.56 million. The Growth Deal 3 (Pennine Gateways) has been increased by £4.76 million, with a split across the financial years of £2.579 million in 2019/20 and £2.181 million in 2020/21.

Other variations to the Growth and Development Capital budgets are provided in the table below:-

	£'000	£'000
Starting Budget		8,637
<b><u>Slippage of funding to 20/21</u></b>		
S106 contribution that will be utilised in 20/21	(348)	
Growth Deal 3 reduced spend on Furthergate and North Blackburn schemes thereby reducing the in-year grant claims (note: these will be claimed in 2020/21)	(484)	
<b>Total Slippage</b>		<b>(832)</b>

<b><u>Variations to Grants</u></b>		
Over budgeted for DFT Incentive Fund	(3)	
Virement of funding to Darwen Market Scheme to support public realm spend	(42)	
<b>Total Variation on Grants</b>		<b>(45)</b>
<b><u>Variation to External Contributions</u></b>		
Refunds received from subcontractors	116	
Backdated Lancashire Enterprise Partnership Claims for Growth Deal 3 (Pennine Gateways)	148	
<b>Total Variations on External Contributions</b>		<b>264</b>
Increase to Growth Deal 3 South East Blackburn		<b>2,579</b>
<b>Capital Spend as at 31/03/2020</b>		<b>10,603</b>

### Drainage Schemes

The Covid-19 pandemic has caused delays to a number of drainage schemes and a request is made to slip the remaining budgets into 2020/21, the schemes affected are shown in the table below:-

<b>Scheme</b>	<b>Slippage Requested £</b>
Bury Fold Brook	14,000
Birch Hall Avenue Appraisal	52,000
Pottery Farm Alleviation	10,000
Waterfall Study	26,000
Pallet Farm Environment Grant	9,000
Surface Water Remodelling	26,000
<b>Total Slippage</b>	<b>137,000</b>

### Assistance to Industry

A request is made to slip the £104,000 that remains unutilised at 31<sup>st</sup> March 2020 for the consideration and approval of grant requests in 2020/21.

### Growth Team Housing Schemes

Approval is sought to slip the following Growth Team Housing Scheme allocations, as these schemes are all on going:

<b>Scheme</b>	<b>Slippage Requested £</b>
Neighbourhood Intervention Fund	10,000
Development Investment Fund	41,000
Land Release Fund	29,000
<b>Total Slippage</b>	<b>80,000</b>

## **6.1.6 Digital and Customer Services**

### Corporate ICT Schemes - Slippage

A request is made to approve the re-profiling of the Corporate ICT schemes as listed below. These are continuing schemes which have not completed in 2019/20:

<b>Scheme</b>	<b>Re-Profiling Requested £</b>
Monitoring and Management Service Systems	3,000
Digitisation of Planning	1,000
Finance System	5,000
Desktop Refresh	(32,000)
Core Infrastructure Programme	60,000
Ticketing System King Georges Hall	25,000
Legal Services Case Management System	51,000
Corporate Website	46,000
Protocol Mobile App Project	4,000
Replacement Unix Servers	3,000
Digital Customer Portal	(41,000)
<b>Total Slippage</b>	<b>125,000</b>

#### Desktop Refresh and Digital Customer Portal

Re-profiling of the desktop refresh and the digital customer portal budgets has been necessary; it is therefore requested that amounts of £32,000 and £41,000 respectively, that had previously slipped into 2020/21, are brought back into the 2019/20 programme to cover spend in the year.

#### **6.1.7 Finance and Governance**

##### Corporate Accommodation Strategy Phase 2

There is £80,000 in the budget unspent in 19/20 and a request is made to slip this into 20/21 to be used in the completion of the project.

##### 15a Town Hall Street Reroofing

This project has been delayed due to the Covid-19 pandemic. A request is made to slip the remaining budget of £178,000 into 20/21 when the project is expected to complete.

#### **6.1.8 Earmarked Schemes**

##### Corporate ICT Earmarked Scheme

It is requested that the remaining budget of £29,000 is slipped into 2020/21, to fund future projects.

##### Vehicle Purchase

Following a tender process, vehicles purchased in 2019/20 were sold and leased back, rather than financed by main programme borrowing. As a result of this decision, approval is requested for a variation of £277,000, to reflect the underspend on this scheme. It is also requested that the remaining £1.272 million budget, previously approved for the purchase of vehicles, is slipped into 2020/21 to cover the committed costs of the vehicles.

#### **6.2 CAPITAL RECEIPTS**

Actual capital receipts at the end of March 2020 were £2.116 million, compared with £3.700 million forecast reported to the Executive Board in February. A number of asset sales have been delayed as a result of COVID-19. 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 of 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 Finance and Governance 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 and Customer Services, 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 this year following £35 million of new PWLB loans taken in December 2018.

Short-term borrowing levels have increased over the course of the year, being particularly high at the year-end due to additional borrowing taken to fund the upfront payment of the Council's Local Government Scheme Pension contributions made in April 2020 (as agreed at Finance Council in February 2020), thereby attracting a significant discount.

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 Council is a shareholder in the companies delivering the local PFI schemes for Building Schools for the Future (BSF). Following a re-financing exercise on the BSF Phase 2 Scheme, a one-off payment of £0.978 million was received by the Council, reflecting the reduction in future interest costs following the interest rate swap. Re-financing of the Phase 1 Scheme was undertaken in 2018/19.

Net interest savings were achieved primarily as a result of savings on the financing cost in relation to the PFI debt.

### Interest and Debt Repayments Revenue Budget

	Forecast at Qtr 3	Movement in Qtr 4	Year End Outturn
Interest and investment income	(259,800)	(9,300)	(269,100)
PFI refinancing receipt	(978,300)	-	(978,300)
Debt interest payable	12,641,300	(132,500)	12,508,800
MRP	6,526,000	(100)	6,525,900
<b>Total</b>	<b>17,929,200</b>	<b>(141,900)</b>	<b>17,787,300</b>

The gross level of borrowings has increased this year, primarily due to short-term borrowings taken to fund the pension prepayment made in April 2020, as noted above. The borrowings taken in advance of the pension prepayment were invested in the interim by way of short-term loans to other local authorities.

	Amounts at 31/03/20 £000	Amounts at 31/03/19 £000
Short term borrowing	84,000	41,000
Long term borrowing	149,915	156,265
Transferred debt re Local Government Reorganisation	14,148	14,738
Recognition of debt re PFI arrangements	63,414	65,130
<b>TOTAL BORROWING</b>	<b>311,477</b>	<b>277,133</b>
Investments made by the Council	57,453	24,475

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 31<sup>st</sup> March 2020. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/03/20	Position at 31/03/19
<b>Council tax</b>		
Current year arrears (£000)	3,543	2,980
Previous year arrears (£000)	11,550	10,934
<b>Total Council tax arrears</b>	<b>15,093</b>	<b>13,914</b>
Collection rates	94.9%	95.1%
<b>Business rates</b>		
Current year arrears (£000)	790	625
Previous year arrears (£000)	2,513	2,048

<b>Total Business rates arrears</b>	<b>3,303</b>	<b>2,673</b>
Collection rates	98.3%	98.3%
<b>Housing Benefit</b>		
Overpayments balances (£000)	2,879	3,197

#### Council Tax

The collection rate has reduced in line with expectations. The changes in our Council Tax Support scheme, along with increases in the empty premium charge have had a direct impact on the collection rate.

#### Business Rates

The collection rate is broadly in line with expectations.

### **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>V1.0</b>
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<b>CONTACT OFFICER:</b>	<b>Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893)</b>
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<b>DATE:</b>	2020
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<b>BACKGROUND PAPER:</b>	N/A
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