



EXECUTIVE BOARD DECISION

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| REPORT OF: | Executive Member for Finance and Governance |
| LEAD OFFICERS: | Director of Finance |
| DATE: | 12 November 2020 |

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|------------------------------|---|
| 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 2020/21 – Quarter 2 (6 months to 30th September 2020)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th September 2020, highlighting key 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 total cost of the Council's capital investment programme for 2020/21 has now decreased from £36.967 million, as approved by Executive Board on 13th August 2020, to £32.815 million. The net variation of £4.152 million (detailed in Appendix 2) reflects;

- Variations made to reflect the approval of schemes during the first quarter of the year, including an increase of £1.722 million (of which £1.348 million is funded from reallocation of budgets within the existing 2020/21 programme)
- further variations during the second quarter of the year, for which approval is requested (£0.927 million)
- slippage and re-profiling of budgets during the second quarter of the year (£5.453 million).

b) As at 30th September 2020, the capital expenditure across the portfolios was £6.219 million (representing 19.0% of the current, revised projected capital spend).

c) The estimated of capital receipts expected in 2020/21 is £4.3 million; £422,499 has been received in the first six months of the year.

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 2020-23, as approved at Finance Council on 24th February 2020.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2020/21 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The Capital Programme for 2020/21 has decreased by £4.152 million, 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 second quarter of 2020/21 and have now been added to the capital programme as follows:

| Scheme | Amount | Approved By | Date Approved |
|---|----------|-----------------|---------------|
| Children's, Young People and Education | | | |
| Lower Darwen Primary School – Disability access adaptations | £50,000 | Executive Board | 10-Sept-20 |
| Avondale Primary School – Variation on kitchen extension and refurbishment scheme | £150,000 | Executive Board | 10-Sept-20 |
| Brunel Nursery – External fencing | £30,000 | Executive Board | 10-Sept-20 |
| Feniscowles Primary School – Disability access adaptations | £150,000 | Executive Board | 10-Sept-20 |
| Audley Infant and Junior Schools – Variation on heating system scheme | £244,000 | Executive Board | 10-Sept-20 |
| Feniscowles Primary School – Variation on heating system scheme | £95,000 | Executive Board | 10-Sept-20 |
| Brookhouse Primary School – Variation on fire alarm scheme | £10,000 | Executive Board | 10-Sept-20 |
| St Cuthberts Primary School – Variation on extension and remodel (SEND) scheme | £105,000 | Executive Board | 10-Sept-20 |
| BCHS/Crosshill – Variation on refurbishment of Sunnyhurst Centre scheme | £58,700 | Executive Board | 10-Sept-20 |
| Shadsworth Infant School – Extension and remodel (SEND) | £260,000 | Executive Board | 10-Sept-20 |
| Turncroft Nursery – Variation on heating system scheme | £5,000 | Executive Board | 10-Sept-20 |
| Contingency | £100,000 | Executive Board | 10-Sept-20 |
| Project Management Fee | £50,000 | Executive Board | 10-Sept-20 |

| Environmental Services | | | |
|--------------------------------------|-------------------|--|------------|
| Fielden Street Car Park ANPR | £159,000 | Executive Member Decision | 7-Aug-20 |
| Growth and Development | | | |
| Old Gates Drive FAS Blackburn | £215,000 | Director of Environment & Operations - Grant Application | 16-Sept-20 |
| Digital and Customer Services | | | |
| Corporate ICT – RFID in Libraries | £40,000 | Delegated Officer Decision | 4-Sept-20 |
| TOTAL | £1,721,700 | | |

6.1.2 Children's Young People & Education

Capital Allocations for Schools

The final Schools Capital allocation of £2.653 million has been partially allocated, leaving a remaining balance of £1.345 million. The scheme allocations, as approved by Executive Board on 10/09/2020, are detailed in 6.1.1.

6.1.3 Growth and Development

Growth Team Housing Schemes

Approval is sought for the following variations to housing schemes managed by the Growth Team:

| Scheme | Slippage into the 2021/22 Capital Programme | Transfers | Other Variations |
|---------------------------------|--|------------------|-------------------------|
| Bank Top and Griffin Clearance | £150,000 | £3,000 | - |
| Group Repair | - | (£3,000) | - |
| Neighbourhood Intervention Fund | £700,000 | £130,000 | £43,400 |
| Equity Loans | £100,000 | (£50,000) | - |
| Empty Homes Cluster | £360,000 | - | - |
| Other Acquisition Costs | £10,000 | - | - |
| Development Investment Fund | - | - | £209,000 |
| Land Release Fund | £400,000 | - | - |
| Refurbishment Loans | - | (£80,000) | - |
| Total | £1,720,000 | - | £252,400 |

Capital receipts of £43,400 have been recycled back into the Neighbourhood Intervention Fund and a request is made to increase the scheme by this value.

A request is made to increase the Development Investment Fund scheme by £209,000. The Development Investment Fund is to be used to fund the initial works for sites planned for disposal. The current priorities for the scheme are:

- Clarendon Road site
- Queens Park site

- Fishmoor sites
- Blackamoor housing site

This increase will be funded by main programme borrowing.

Blakey Moor

Approval is sought to reduce this scheme by £170,000, being contributions from private property owners. The Blakey Moor scheme has faced various delays, with work virtually ceasing since the start of the COVID-19 pandemic. Approval is also therefore requested to slip £2,161,000 to 2021/22, for works not expected to complete this year.

Local Transport Plan

Variations to the Local Transport Plan budget are listed in the table below.

Approval is sought to add these schemes to the approved Local Transport Plan capital programme for 2020/2021.

| <u>Variations to the programme - increases</u> | <u>£'000s</u> |
|---|----------------------|
| DFT Emergency Active Travel Fund – phase 2 grant | 308 |
| Wainwright Bridge Maintenance | 240 |
| Total increases | 548 |
| <u>Variations to the programme - decreases</u> | |
| Bus Station Bond | (160) |
| Contribution to Jubilee Square – Reel Cinema Scheme | (200) |
| Total decreases | (360) |
| Total net variations | 188 |

The programme increases will be funded £308,000 by an additional grant from the Department for Transport and £240,000 from an earmarked reserve held for maintenance work on Wainwright Bridge.

Reel Cinema

Approval is sought to increase this scheme by £200,000, to be funded from existing Local Transport Plan budgets. This is to be used for the Jubilee Square highways and public realm work, included as part of the Reel Cinema scheme.

Darwen Town Fund – Darwen Tower

A request is made to approve an addition of £225,000 to the capital programme for the Darwen Tower restoration scheme. This is to be funded by a grant received from the Governments Towns Fund. The total grant received to date for the Darwen Town Fund is £750,000, with the remaining being allocated to projects at J4 Skate Park, AFC Darwen and Aldridge North Cricket Academy. These have not been added to the capital programme as they are not Council assets.

6.1.4 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 are not expected to fully complete in 2020/21:

| Scheme | Slippage |
|-------------------------|-----------------|
| Corporate Website | £70,000 |
| Digital Customer Portal | £502,000 |
| Total | £572,000 |

6.1.5 Finance and Governance

Corporate Accommodation Strategy

It is expected that phase 2 and phase 3 of the Corporate Accommodation Strategy scheme will now run into 2021/22 and therefore approval is requested to re-profile £1,000,000 from this scheme into 2021/22.

Witton 3G Changing Room Roof

The roof on the changing rooms at the Witton Park 3G pitches is now beyond repair and needs to be replaced. Approval is sought to add a scheme for £65,000 to the capital programme for this roof replacement. This is to be funded from the Corporate Property Investment earmarked scheme.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of September 2020 were £422,499. 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, her staff and the Council's independent treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

Both short and long term borrowing interest rates were at low levels at the end of the period, having remained fairly stable over the course of the second quarter of the year. Interest rates on investments have continued to fall throughout the second quarter of the year, reaching negligible rates by the end of the period. To date, it is now projected that:

- (a) Income on treasury investments will be £75,000 lower than the original budget, as a result of the significant fall in interest rates,
- (b) Debt interest payable will be £431,000 lower than the original budget, as a result of interest rates on borrowing being much lower than originally forecast.

Interest and Debt Repayments Revenue Budget

| | Original Budget | Forecast at Quarter 1 | Movement Quarter 2 | Forecast at Quarter 2 |
|--------------------------------|-------------------|-----------------------|--------------------|-----------------------|
| Interest and investment income | (215,000) | (115,000) | 75,000 | (40,000) |
| Debt interest payable | 12,990,200 | 12,990,200 | (431,000) | 12,559,200 |
| MRP | 6,835,000 | 6,911,000 | 0 | 6,911,000 |
| Total | 19,610,200 | 19,786,200 | (356,000) | 19,430,200 |

The current borrowing and investment position is as follows:

| | Amounts at 30/09/2020 £000 | Amounts at 30/06/2020 £000 | Amounts at 31/03/2020 £000 |
|---|-------------------------------|-------------------------------|-------------------------------|
| Short term borrowing | 76,000 | 84,000 | 84,000 |
| Long term borrowing | 147,798 | 149,915 | 149,915 |
| Transferred debt re Local Government Reorganisation | 14,007 | 14,148 | 14,148 |
| Recognition of debt re PFI arrangements | 62,508 | 62,961 | 63,414 |
| TOTAL BORROWING | 300,313 | 311,024 | 311,477 |
| Investments made by the Council | 33,968 | 46,623 | 57,453 |

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 30th September 2020. The table also shows the corresponding level of debt at the same point in the last financial year.

| | Position at 30/09/2020 | Position at 30/09/2019 |
|------------------------------|------------------------|------------------------|
| Council tax | | |
| Current year balance (£000) | 31,021 | 30,523 |
| Previous year arrears (£000) | 13,753 | 12,444 |

| | | |
|--------------------------------------|---------------|---------------|
| Total Council tax balances | 44,774 | 42,967 |
| Collection rates | 52.4% | 52.8% |
| Business rates | | |
| Current year balance (£000) | 13,878 | 20,261 |
| Previous year arrears (£000) | 3,556 | 2,705 |
| Total Business rates balances | 17,434 | 22,966 |
| Collection rates | 50.7% | 55.9% |
| Housing Benefit | | |
| Overpayments balances (£000) | 2,756 | 2,938 |

The Business Rates collection rate has been affected by the measures taken by both central government and the council, to support businesses in the borough through the COVID pandemic. To allow businesses sufficient breathing space from April to June, the council took the decision that it would not request direct debit payments, and instead it would recalculate all Business Rate bills with the instalments reprofiled over the period from July to March.

In addition, the council has also offered the option to any struggling businesses, to make contact with the Finance Team and in many instances, as a result, instalment plans have been introduced for the payment of their invoices relating to the April to June period.

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.

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| VERSION: | V1.0 |
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| CONTACT OFFICER: | Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893) |
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| DATE: | October 2020 |
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| BACKGROUND PAPER: | N/A |
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