



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Finance and Governance
<b>LEAD OFFICERS:</b>	Director of Finance
<b>DATE:</b>	11 February 2021

<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 2020/21 – Quarter 3 (9 months to 31<sup>st</sup> December 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> December 2020, highlighting key 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 total cost of the Council's capital investment programme for 2020/21 has now decreased from £32.815 million, as approved by Executive Board on 12<sup>th</sup> November 2020, to £25.117 million. The net variation of £7.698 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of schemes during the third quarter of the year, of £0.552 million; an increase of £0.020 million to the main capital programme and £0.532 million to the earmarked schemes
- further variations during the third quarter of the year for which approval is requested (net reduction in the programme of £1.755 million)
- slippage and re-profiling of budgets during the third quarter of the year over into 2021/22 and future years (£5.963 million).

b) As at 31<sup>st</sup> December 2020, the capital expenditure across the portfolios was £12.353 million (representing 49.2% of the current, revised projected capital spend).

c) The estimated of capital receipts expected in 2020/21 is £3.4 million; £2.162 million has been received in the first nine 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 24<sup>th</sup> 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 £7.698 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 and have now been added to the capital programme as follows:

Scheme	Amount 2020/21	Amount 2021/22	Approved By	Date Approved
<b>Children's, Young People and Education</b>				
Lammack School Extension	-	£550,000	Executive Board	14-Jan-21
BCHS/Crosshill	-	£380,000	Executive Board	14-Jan-21
Longshaw Nursery Relocation – change in scheme scope and reduction in estimated cost	-	(£840,000)	Executive Board	14-Jan-21
<b>Environmental Services</b>				
Vehicle replacements (earmarked scheme)	£532,000	-	Executive Board	13-Feb-20
<b>Digital and Customer Services</b>				
Corporate ICT – Replacement of waste processes and round management system software	£20,000	£133,000	Executive Member Decision	15-Jan-21
<b>TOTAL</b>	<b>£552,000</b>	<b>£223,000</b>		

#### 6.1.2 Adults and Prevention Services

##### Disabled Facilities Grant and Telecare Project

Additional Disabled Facilities Grant of £253,000 has been received during the quarter. Approval is sought to add this to the existing budget for this scheme.

Due to the COVID-19 pandemic a number of projects in these schemes have been delayed. Approval is requested to reprofile £870,000 from the Disabled Facilities Grant and £110,000 from the Telecare Project schemes into 2021/22.

### 6.1.3 Children's Young People & Education

Approval is sought to slip the following into 2021/22, as these schemes are not expected to be completed in this year:

<b>Scheme</b>	<b>Slippage £</b>
Disabled Facilities Grant	(560,000)
Shadsworth Infants – Heating	(90,000)
Lower Darwen Disability Access Adaptations	(15,000)
Feniscowles Disability Access Adaptations	(125,000)
Shadsworth Infants Extension and Remodel	(220,000)
<b>TOTAL VARIATIONS</b>	<b>(1,010,000)</b>

### 6.1.4 Environmental Services

#### Slippage

Approval is requested to slip £103,000 on the Land Remediation scheme and £230,000 on the Blakewater Car Park scheme into 2021/22 as these works are not expected to complete in 2020/21.

#### Old Bank Lane Car Park

This scheme has now been completed and approval is requested to remove the remaining budget of £100,000, as this has not been required.

### 6.1.5 Public Health & Wellbeing

#### Witton 3G Pitches

This scheme has now been completed and approval is requested to remove the remaining budget of £23,000, as this is not required.

### 6.1.6 Growth and Development

#### Cathedral Quarter Office Block Fit Out Costs

A request is made to slip the remaining £38,000 budget to 2021/22 so this can be used for future potential fit out costs to facilitate lettings.

#### Growth Team Housing Schemes

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

<b>Scheme</b>	<b>Slippage £</b>	<b>Other Variations £</b>
Neighbourhood Intervention Fund	(19,700)	19,700
Development Investment Fund	(65,000)	-
<b>Total</b>	<b>(84,700)</b>	<b>19,700</b>

Capital receipts of £19,700 have been recycled back into the Neighbourhood Intervention Fund and a request is made to increase the scheme by this value.

## Blakey Moor

The Blakey Moor scheme has faced various delays, with work virtually ceasing since the start of the COVID-19 pandemic. Approval is therefore requested to slip £96,000 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. S106 contributions should only be utilised upon their receipt and also Covid-19 has delayed works commencing on development sites.

The budget for the South East Blackburn Scheme is £11,560,000 funded by a Lancashire Enterprise Partnership (LEP) contribution of £9,050,000 and a Blackburn with Darwen Borough Council contribution of £2,510,000. The scheme commenced in 2019/20 and there was an advance borrowing requirement for both 2019/20 and 2020/21 in respect of this as per the Executive Board Decision report dated 9th January 2020. Due to Covid-19, the works have been delayed on this scheme and these will now run into 2021/22, which means that the borrowing in advance of £715,000 is no longer required in year. The LEP have agreed that their full contribution of £9,050,000, back dated to 2019/2020, can be claimed in this financial year

Approval is sought for the following adjustments to the approved Local Transport Plan capital programme for 2020/2021.

<b><u>Variations Due to Slippage</u></b>	<b><u>£'000s</u></b>
DFT Emergency Travel Active Fund – Tranche 2	(162)
<b>S106 Contributions to be used in 2021/22</b>	
S106 Gib Lane	(260)
S106 School Lane	(36)
S106 Yew Tree Drive	(450)
S106 Blackburn North	(50)
S106 Roe Lee	(150)
S106 Pole Lane North	(150)
S106 Spring Meadows	(200)
Wainwright Bridge Commuted Sum held in Reserve	(240)
<b>Total Variations due to Slippage</b>	<b>(1,698)</b>
<b><u>Other Variations</u></b>	
DFT Emergency Active Travel Fund Tranche 1 Adjustment	(74)
Growth Development 3 Contributions	(560)
Growth Development 3 Borrowing in Advance	(715)
Blackburn Bus Station Performance Bond	(250)
<b>Total of Other Variations</b>	<b>(1,599)</b>
<b>Total Net Variations</b>	<b>(3,297)</b>

## **6.1.7 Digital and Customer Services**

A number of Corporate ICT schemes are continuing schemes which are not expected to fully complete in 2020/21 and a request is made to slip the remaining budget on these schemes into 2021/22.

The Monitoring and Management and Protocol Mobile App Project schemes are both now fully complete, a request is made to transfer the remaining budgets on these schemes to the Corporate ICT earmarked scheme.

Approval is sought for the following variations to Corporate ICT schemes:

<b>Scheme</b>	<b>Slippage £</b>	<b>Other Variations £</b>
Core Infrastructure Programme	(120,000)	-
Legal Services Case Management System	(25,000)	-
Corporate Website	(16,000)	-
Town Hall IT Infrastructure Upgrade	(190,000)	-
Digital Customer Portal	(85,000)	-
Monitoring and Management	-	(1,000)
Protocol Mobile App Project	-	(5,000)
<b>Total</b>	<b>(436,000)</b>	<b>(6,000)</b>

#### Desktop Refresh

Previously £113,000 of the approved budget for this scheme was transferred back into the Corporate ICT earmarked scheme. A request is made to reinstate this budget into 2021/22 due to an increase in the demand for devices across the Council, as part of the COVID response.

### **6.1.8 Finance and Governance**

#### Carbon Management Plan

Approval is requested to slip £67,000 in respect of this scheme in to 2021/22 for use on future carbon management capital projects.

#### Griffin Lodge

Approval is requested to remove the budget of £300,000 for this scheme. Any work required will be considered alongside other priorities in relation to Council owned properties.

#### Corporate Accommodation Strategy Phase 2

The Corporate Accommodation Strategy Phase 2 scheme has encountered some delays during the pandemic, and therefore approval is requested to re-profile £1,000,000 from this scheme into 2021/22.

#### Darwen Town Hall Re-roofing

As above, this scheme has also encountered some delays during the pandemic and therefore approval is requested to reprofile £220,000 from this scheme into 2021/22, for work not expected to be completed during this financial year.

### **6.1.9 Earmarked Schemes**

#### Corporate ICT Earmarked Scheme

It is requested to slip £2.113 million from the 2020/21 capital programme into the 2021/22 and Future Years Programme. The balance of the Corporate ICT Earmarked Schemes for the 2021/22 and Future Years Programme will be used to support the capital costs of the ongoing digitisation of the Council's infrastructure.

#### Corporate Property Investment Earmarked Scheme

Approval is required to slip £2.571 million of this Earmarked Scheme allocation from the 2020/21 programme to meet the costs in future years. This will be utilised to help the Council fulfil its future growth and development plans.

## Vehicle Purchase

It is requested that £532,000 of the budget, previously approved for the purchase of vehicles, be slipped into 2021/22 to cover the committed costs of the vehicles not expected to be purchased before the end of this financial year.

## **6.2 CAPITAL RECEIPTS**

Actual capital receipts at the end of December 2020 were £2.162 million. 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 third quarter of the year. Interest rates on investments have continued to fall throughout the third quarter of the year, with rates being negligible by the end of the period. To date, it is now projected that debt interest payable will be £20,200 lower than the forecast at quarter 2, as a result of interest rates on borrowing being lower than originally forecast.

### **Interest and Debt Repayments Revenue Budget**

	<b>Original Budget</b>	<b>Forecast at Quarter 1</b>	<b>Forecast at Quarter 2</b>	<b>Movement Quarter 3</b>	<b>Forecast at Quarter 3</b>
Interest and investment income	(215,000)	(115,000)	(40,000)	-	(40,000)
Debt interest payable	12,990,200	12,990,200	12,559,200	(20,200)	12,539,000
MRP	6,835,000	6,911,000	6,911,000	-	6,911,000
<b>Total</b>	<b>19,610,200</b>	<b>19,786,200</b>	<b>19,430,200</b>	<b>(20,200)</b>	<b>19,410,000</b>

The current borrowing and investment position is as follows:

	Amounts at 31/12/2020 £000	Amounts at 30/09/2020 £000	Amounts at 31/03/2020 £000
Short term borrowing	84,250	76,000	84,000
Long term borrowing	147,798	147,798	149,915
Transferred debt re Local Government Reorganisation	14,007	14,007	14,148
Recognition of debt re PFI arrangements	62,055	62,508	63,414
<b>TOTAL BORROWING</b>	<b>308,110</b>	<b>300,313</b>	<b>311,477</b>
Investments made by the Council	66,448	33,968	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 31<sup>st</sup> December 2020. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/2020	Position at 31/12/2019
<b>Council tax</b>		
Current year balance (£000)	14,164	13,842
Previous year arrears (£000)	13,004	11,921
<b>Total Council tax balances</b>	<b>27,168</b>	<b>25,763</b>
Collection rates	78.2%	78.2%
<b>Business rates</b>		
Current year balance (£000)	6,682	8,988
Previous year arrears (£000)	3,278	2,495
<b>Total Business rates balances</b>	<b>9,960</b>	<b>11,483</b>
Collection rates	76.1%	80.4%
<b>Housing Benefit</b>		
Overpayments balances (£000)	2,622	2,961

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.



<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>
<b>DATE:</b>	January 2021
<b>BACKGROUND PAPER:</b>	N/A