



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Chief Executive (s151 officer)

DATE: 12th August 2021

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2020/21 – Quarter 4 as at 31st March 2021

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st March 2021, 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 2021.

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 decreased from the projection of £25.117 million, as approved by Executive Board on 11th February 2021, to £21.073 million at 31st March 2021. The net variation of £4.044 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 £0.146 million (which are funded from reallocation of budgets within the existing 2020/21 programme)
- further variations during the last quarter of the year, for which approval is requested (£0.592 million)
- slippage and re-profiling of budgets during the fourth quarter of the year (£4.782 million).

b) Capital receipts of £3.049 million were received during 2020/21, which were used to support the Minimum Revenue Provision. This compares with the forecast reported to the Executive Board in February of £3.4 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 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 £4.044 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 2020/21 and have now been added to the capital programme as follows:

Scheme	Amount 2020/21 Capital Programme	Amount 2021/22 Capital Programme	Approved By	Date Approved
Growth and Development				
Acquisition of former Thwaites Site and Joint Venture – Funded from Corporate Property Investment earmarked scheme	-	£1,470,000	Executive Board	11-Jan-21
Acquisition of former Fleece Inn – Funded from Corporate Property Investment earmarked scheme	-	£200,000	Executive Board	11-Jan-21
Repair and restoration of Darwen Jubilee Tower	-	£80,000	Executive Board	11-Mar-21
Acquisition of Blakey Moor Building – Barnfield Blackburn Ltd SPV	-	£250,000	Executive Member Decision	19-Mar-21
Digital and Customer Services				
Replacement of election scanners	£21,000	-	Delegated Officer Decision	12-Feb-21
Renewal of Councils Microsoft licence agreement for server and database licences	£125,000	£251,000	Executive Board	11-Mar-21
Replacement HR and payroll system	-	£716,000	Executive Board	8-Apr-21
Finance and Governance				
Public Sector Decarbonisation Scheme	-	£2,253,000	Executive Board	11-Mar-21
Total	£146,000	£5,220,000		

6.1.2 Adults and Prevention Services

Disabled Facilities Grant

Approval is requested to carry forward funding of £178,000 in respect of the Disabled Facilities Grant to use for spend to be incurred in 2021/22.

Telecare Project

A request is made to carry forward £10,000 of the Telecare Project allocation to fund expenditure on this scheme in 2021/22.

6.1.3 Children's Young People & Education

Disabled Facilities Grant

Re-profiling of the disabled facilities grant budgets has been necessary, it is therefore requested that £141,000 previously slipped into 2021/22 is brought back into 2020/21 to cover spend in the year.

Apple Trees Building Works

A transfer of £33,000 from the Disabled Facilities Grant scheme is requested to the Apple Trees building works scheme to fund required additional works and items together with some increased costs resulting from the impact of the Covid-19 pandemic during the period.

Two Year Old Grant.

Approval is requested to carry forward funding of £214,000 in respect of the Two Year Old Grant to be used in future years.

Capital Allocations for Schools

There has been a reduction of £242,000 in respect of the amount of devolved formula capital funding which has been directly allocated to the schools through a transfer to revenue at the end of 2020/21. Additional Schools Condition Allocation of £410,000 was confirmed for 2020/21. 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 £1.668 million for carry forward and utilisation in 2021/22.

There have been several requested variations to the programme in respect of schools at 31st March 2021 as follows:

Scheme	Slippage £	Other Variations £
St Barnabas & St Pauls	135,000	3,000
Audley Juniors Roof Repairs	-	(26,000)
Avondale Kitchen	48,000	58,000
Audley Infants Remodel Reception Class	-	(49,000)
BCHS/Crosshill SEN	336,000	-
Lammack Extension	661,000	-
Darwen – Additional School Places	500,000	-
Longshaw Nursery Relocation	(41,000)	-
Lower Darwen Disability Access Adaptations	35,000	-
Brunel Nursery External Fencing	30,000	-
Other Schemes – minor slippage on several schemes	57,000	-
Other Schemes – minor variations, over/underspends on several schemes	-	(41,000)
Total Slippage and Variations	1,761,000	(55,000)
Funded by:		
Overspends financed from Capital Allocations	-	7,000
Overspends financed Contingency	-	45,000
Underspends transferred to Capital Allocations		(107,000)
Total Variations Funding	-	(55,000)

6.1.4 Environmental Services

Old Bank Lane Car Park

A variation of £25,000 is requested in respect of this scheme. This relates to costs in respect of electronic signage to direct users to the car park, this was included in the original capital scheme but the costs only came through in quarter 4. A £100,000 underspend was reported on this scheme in quarter 3 monitoring.

Land Remediation Scheme

A request is made to slip the remaining £4,000 of budget in respect of the Land Remediation scheme into 2021/22 to be used for costs expected to be incurred next year.

Purchase of Blue Bins

This scheme has now been completed and approval is requested to remove the remaining budget of £165,000, as this has not been required.

Feilden Street Car Park ANPR

A variation of £30,000 is requested in respect of the Feilden Street Car Park ANPR scheme, this is to cover the costs relating to the installation of CCTV in the car park as part of this project.

6.1.5 Growth and Development

Blakey Moor

Approval is requested to re-profile a further £92,000 into 2021/22 due to delays in the works during the final quarter of the year.

Reel Cinema and Jubilee Square

A transfer of £155,000 is requested from the Local Transport Plan scheme into the Reel Cinema and Jubilee Square scheme, for works undertaken on Jubilee Square.

LTP/NPIF/Growth Deal 3/Darwen East Corridor

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

The main variations all relate to slippage, all these schemes are listed in the Executive Board report dated 10th June 2021 detailing the Local Transport Plan for 2021/2022

<u>Variations Due to Slippage</u>	£'000s
DFT Emergency Travel Active Fund – Tranche 2	(51)
DFT grant to be used in 2021/22 as per Executive Board report 10/06/2021	(193)
<u>Commuted sum contributions to be used in 2021/22</u>	
Wainwright Bridge commuted sum held in reserve	(171)
<u>S106 Contributions to be used in 2020/21</u>	
S106 Gib Lane	12
S106 Yew Tree Drive	8
S106 School Lane	1
<u>Total Slippage</u>	(394)
<u>Other Variations</u>	
Growth Development 3 contributions	(5)
Virement to Jubilee Square Works	(155)
<u>Total of Other Variations</u>	(160)
<u>Total Net Variations</u>	(554)

Drainage Schemes

Variations in relation to the drainage schemes are as listed below:

Scheme	Slippage £	Transfers £	Other Variations £
Bury Fold Brook	14,000	-	-
Granville Ave	-	12,000	-
Birch Hall Avenue Appraisal	-	(39,000)	(3,000)
Pottery Farm Alleviation	10,000	-	-
Waterfall Study	1,000	-	-
Surface Water Remodelling	-	-	(3,000)
Green Arms Rd FAS Turton	-	-	(5,000)
Grimshaw Park FAS Blackburn	3,000	-	-
Old Gates Drive FAS Blackburn	-	27,000	-
Total	28,000	-	(11,000)

A number of schemes have not completed this year, it is therefore requested that £28,000, as detailed above, is re-profiled into 2021/22 to cover future costs. During the year a number of schemes have completed resulting in underspends totalling £11,000.

Assistance to Industry

A request is made to slip the £74,000 that remains unutilised at 31st March 2021 for the consideration and approval of grant requests in 2021/22.

Affordable Warmth Grants

A request is made to slip the £10,000 that remains unutilised at 31st March 2021 for the consideration and approval of grant requests in 2021/22.

Growth Team Housing Schemes

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

Scheme	Slippage Requested £
Bank Top and Griffin Clearance	37,000
Neighbourhood Intervention Fund	60,000
Development Investment Fund	32,000
Land Release Fund	9,000
Total Slippage	138,000

Capital receipts of £39,400 have been recycled back into the Neighbourhood Intervention Fund scheme and a request is made to increase the scheme in 2021/22 by this value.

A request is made to reduce the budget in 2021/22 on the Development Investment Fund scheme by £32,000, to maintain the agreed annual budget of £250,000 for this scheme.

Darwen Towns Fund and Darwen Tower

A scheme has been added to the capital programme in respect of the accelerated grant received for the Darwen Towns Fund. It is requested that the remaining amount of £233,000 unspent at year end is re-profiled into 2021/22. It is also requested that the amount of £203,000 unspent on the Darwen Tower element of the Darwen Towns Fund is re-profiled into 2021/22.

Barbara Castle Statue

A scheme has been added to the capital programme in respect of the Barbara Castle Statue. The spend on this scheme in 2020/21 has been funded by donations.

6.1.6 Digital and Customer Services

Corporate ICT Schemes

Variations in relation to the Corporate ICT schemes are as listed below:

Scheme	Slippage £	Other Variations £
Digitalisation of Planning Service	-	(1,000)
Finance System	5,000	-
New Leisure System	-	(4,000)
Desktop Refresh	(17,000)	-
Core Infrastructure Programme	20,000	-
Ticketing System – KGH/DLT	24,000	-
Legal Services Case Management System	17,000	-
Corporate Website	(7,000)	-
Protocol Mobile App Project	-	(1,000)
Town Hall Infrastructure Upgrade	1,000	-
Digital Customer Portal	70,000	-
Reablement System	36,000	-
RFID in Libraries	-	(6,000)
Round Management System	1,000	-
Election Scanners	-	(1,000)
Total	150,000	(13,000)

It is requested that amounts totalling £174,000 are re-profiled into 2021/22 in respect of continuing schemes which have not completed during the year. It is also requested that amounts previously slipped into 2021/22 totalling £24,000 are brought back into 2020/21 to cover spend on those schemes in the year.

A number of projects, as detailed above, have completed during 2020/21 resulting in underspends on these schemes. It is therefore requested that the total underspend on these schemes of £13,000 is returned to the Corporate ICT earmarked scheme.

6.1.7 Finance and Governance

Corporate Accommodation Strategy Phase 2

Re-profiling of the corporate accommodation strategy phase 2 budgets has been necessary, it is therefore requested that £370,000 previously slipped into 2021/22 is brought back into 2020/21 to cover spend in the year.

Corporate Property Capital Schemes

The following variations are requested in respect of other corporate property capital schemes:

Scheme	Slippage £	Other Variations £
15A Town Hall Street Reroofing	-	(3,000)
Darwen Town Hall Reroofing	71,000	-
Purchase of 3-7 Blakey Moor	-	(2,000)
Witton 3G Changing Room Roof	65,000	-
Total	136,000	(5,000)

Schemes at 15A Town Hall Street and the purchase of 3-7 Blakey Moor have completed during 2020/21 and it is therefore requested that the underspends on these schemes are returned to the Corporate Property Investment earmarked scheme.

Schemes at Darwen Town Hall and Witton 3G Changing Rooms are yet to be completed, and it is therefore requested to slip the remaining budgets into 2021/22 to cover future spend on these projects.

6.1.8 Earmarked Schemes

Corporate ICT Earmarked Scheme

It is requested that £11,000 previously slipped into 2021/22, is brought back into 2020/21 to cover spend on corporate ICT schemes in the year.

Vehicle Purchase

Following a tender process, vehicles purchased in 2020/21 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 £352,000, to reflect the underspend on this scheme.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of March 2021 were £3.049 million, compared with £3.400 million forecast reported to the Executive Board in February. A few 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, 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.

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 was a shareholder in the companies delivering the local PFI schemes for Building Schools for the Future (BSF). The Council sold its shareholding in these companies during this year and is therefore no longer receiving dividends from this investment.

Following a review of the Council's Minimum Revenue Provision (MRP) policy, an updated policy was approved by Finance Council in March 2021. The change in policy has resulted in savings of £1.2 million in 2020/21.

Interest and Debt Repayments Revenue Budget

	Forecast at Qtr 3	Movement in Qtr 4	Year End Outturn
Interest and investment income	(40,000)	(32,400)	(72,400)
Debt interest payable	12,539,000	(19,300)	12,519,700
MRP	6,911,000	(1,223,200)	5,687,800
Total	19,410,000	(1,274,900)	18,135,100

The gross level of borrowings has reduced this year, primarily due to the Council having received grants from central government in respect of the COVID-19 pandemic, which are to be spent or repaid in 2021/22, temporarily reducing the Council's borrowing need.

	Amounts at 31/03/21 £000	Amounts at 31/03/20 £000
Short term borrowing	78,250	84,000
Long term borrowing	145,681	149,915
Transferred debt re Local Government Reorganisation	13,582	14,148
Recognition of debt re PFI arrangements	61,603	63,414
TOTAL BORROWING	299,116	311,477
Investments made by the Council	58,633	57,453

At 31 March 2021 the Council's total borrowings were temporarily in excess of the Capital Financing Requirement (CFR) of £298.5 million, this was due to slippage on a number of capital schemes. Statutory guidance is that debt should remain below the CFR, except in the short-term. The Council's debt has returned to a level below the CFR by the end of May 2021, with total borrowing of £292.9M. Throughout the year the Council's borrowing has remained below the operational and authorised borrowing limits.

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 31st March 2021. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/03/21	Position at 31/03/20
Council tax		
Current year arrears (£000)	3,607	3,543
Previous year arrears (£000)	11,218	11,550
Total Council tax arrears	14,825	15,093
Collection rates	94.8%	94.9%
Business rates		
Current year arrears (£000)	962	790
Previous year arrears (£000)	2,160	2,513
Total Business rates arrears	3,122	3,303
Collection rates	96.5%	98.3%
Housing Benefit		
Overpayments balances (£000)	2,565	2,879

Council Tax

The collection rate is broadly in line with expectations.

Business Rates

The Business Rates collection rate has been affected by the COVID pandemic, including measures taken by both central government and the council, to support businesses in the borough.

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:	V1.0
-----------------	-------------

CONTACT OFFICER:	Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893)
-------------------------	--

DATE:	June 2021
--------------	-----------

BACKGROUND PAPER:	N/A
------------------------------	-----