

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Chief Executive (s151 officer)
DATE:	12 August 2021

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 2021/22 – Quarter 1 (3 months to 30th June 2021)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2021, highlighting key issues and explaining variations in the first 3 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,
- to approve the acceptance of the proposed commercial insurance settlement for the St John's Church.

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 2021/22 has now increased from £18.461 million, as approved by Finance Council on 1st March 2021, to £33.124 million. The net variation of £14.663 million (detailed in Appendix 2) reflects;

- An increase of £10.009 million in respect of variations to the programme following the finalisation of the outturn position for 2020/21,
- Variations made to reflect the approval of schemes during the first quarter of the year, including an increase of £5.682 million (of which £0.126 million is funded from reallocation of budgets within the existing 2021/22 programme)
- further variations during the first quarter of the year, for which approval is requested (£0.248 million)
- slippage and re-profiling of budgets during the first quarter of the year (£1.276 million).

b) As at 30th June 2021, the capital expenditure across the portfolios was £1.188 million (representing 3.6% of the current, revised projected capital spend).

c) The estimated capital receipts expected in 2021/22 is £5.1 million; £1,257,974 has been received in the first three 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 2021-24, as approved at Finance Council on 1st March 2021.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2021/22 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

Since the Capital Programme for 2021/22 was approved by Finance Council on 1st March 2021, it has increased by £14.663 million; £10.009 million of this relates to variations reported in the 2020/21 outturn report also presented to Executive Board in August. The other main points 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 first quarter of 2021/22 and have now been added to the capital programme as follows:

Scheme	Amount	Approved By	Date Approved
Adults and Prevention Services			
Safer Streets Fund	£235,000	Executive Board	8-Jul-21
Growth and Development			
Land Release Fund	£195,000	Director of Finance – Grant Application	01-Mar-21
Local Transport Plan 2021-22 (including existing budgets of £2.092 million reprofiled to/from 2020/21)	£7,373,631	Executive Board	10-Jun-21
J4 Skatepark	£100,000	Executive Member Decision	25-Jun-21
Digital and Customer Services			
PCI Compliance & Payments Module – Finance System	£61,000	Officer Decision	21-May-21
Implementation Liquidlogic Group Work	£65,000	Officer Decision	25-Jun-21
Total	£8,029,631		

6.1.2 Children's Young People & Education

Darwen – Additional School Places

This scheme is not expected to start during 2021/22, it is therefore requested to reprofile the full budget for this year into future years.

6.1.3 Growth and Development

Neighbourhood Investment Fund

Capital receipts of £11,500 have been recycled back into the Neighbourhood Intervention Fund scheme and a request is made to increase the scheme by this value.

Darwen Towns Fund

Darwen has been successful in securing up to £25 million of government funding from the Towns Fund. We will now be looking to produce more detailed business cases, undertaking feasibility work and establishing schemes in the capital programme. As the detailed schemes are worked up approval will be sought for any match funding or other external funding requirements from earmarked and contingent schemes and any other funding sources identified and secured.

Blakey Moor

Approval is sought to add £236,000 to the Blakey Moor scheme budget for internal works to be undertaken on 35 Northgate and the acquisition of land at Blakey Moor. This is to be funded by a revenue contribution from the Office Accommodation and Property Improvement Reserve.

Local Transport Plan

The variations noted in Appendix 2 reflect the Local Transport Plan 21/22 Programme which was approved by Executive Board on 10 June 2021.

An emerging pressure has been identified on the Wainwright Railway Bridge Scheme. This is due to identified additional maintenance work requirements and Network Rail imposing additional requirements pre-start and then shortening the agreed possession time, resulting in increased possessions and working shifts.

St John's Church

St John's Church, is a grade II listed former church owned by the Council and located on Victoria Street within the Richmond Terrace/St John's Conservation Area in Blackburn. The former church was severely damaged by a fire that occurred on the morning of Wednesday 3rd April 2019. Prior to the fire the space was used for pop up events, which became a permanent art space and was run by a Community Interest Company.

Following the fire the property was made safe and temporarily secured with heras fencing. A contractor was subsequently appointed to remove all fire damaged materials from site. Several feasibility and factual survey reports have been completed to assess building condition and design opportunities to inform the Council on next steps. The Council has recently erected permanent hoardings and project signage for the scheme and has undertaken some additional clearance works.

The building was insured under the Council's Corporate Property policy, which is provided by Zurich Municipal (Zurich). The Council appointed Capita to provide independent advice on reinstatement costs to help agree the claim with Zurich.

Although the full reinstatement value of the church building was insured for £4,650,000 the Council understood the final settlement would be below this figure given there are large parts of the building which were undamaged by the fire including the bell tower. Following detailed discussions between Zurich, Council officers and Capita a gross settlement figure of £3,750,212.90 is recommended for

acceptance by the Council. This sum includes payments made to date of £210,212.90, leaving a balance due of £3,540,000. Approval is requested for the acceptance of the proposed commercial settlement from Zurich for the St John's Church for the sum of £3,750,212.90. A further report will be brought to add a scheme to the capital programme.

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 2021/22:

Scheme	Slippage
Digital Customer Portal	£100,000
Microsoft Licence Agreement Server and Database	£126,000
Total	£226,000

6.2 CAPITAL RECEIPTS

Actual capital receipts in Quarter 1 were £1,257,974. 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, their 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 had been at low levels throughout the period. Investment interest rates have also remained at historically low rates throughout the first quarter of the year. To date, it is now projected that:

- (a) MRP will be £124,000 lower than anticipated in the original 2021/22 estimates (as a result of lower capital spend at 2020/21 outturn),
- (b) It is anticipated that the debt interest payable, in particular interest paid on short term borrowings and transferred debt from Lancashire County Council, will be lower than the original budget, due to the continuing low level of interest rates on borrowing and changes in the cash flow profile. It

is currently anticipated that debt interest payable will be £380,500 lower than the original 2021/22 estimates.

Interest and Debt Repayments Revenue Budget

	Original Budget	Movement Quarter 1	Current Budget Quarter 1
Interest and investment income	(15,000)	-	(15,000)
Debt interest payable	12,285,500	(380,500)	11,905,000
MRP	6,016,000	(124,000)	5,892,000
Total	18,286,500	(504,500)	17,782,000

The current borrowing and investment position is as follows:

	Amounts at 30/06/21 £000	Amounts at 31/03/21 £000
Short term borrowing	69,250	78,250
Long term borrowing	145,681	145,681
Transferred debt re Local Government Reorganisation	13,582	13,582
Recognition of debt re PFI arrangements	61,138	61,603
TOTAL BORROWING	289,651	299,116
Investments made by the Council	75,548	58,633

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

	Position at 30/06/2021	Position at 30/06/2020
Council tax		
Current year balance (£000)	51,808	48,435
Previous year arrears (£000)	13,573	14,443
Total Council tax balances	65,381	62,878
Collection rates	27.4%	26.1%
Business rates		
Current year balance (£000)	28,305	25,029
Previous year arrears (£000)	3,058	3,236
Total Business rates balances	31,363	28,265
Collection rates	20.1%*	13.5%
Housing Benefit		
Overpayments balances (£000)	2,091	2,119

* Last day in month Direct Debits slightly delayed therefore not credited in calculation

Last year the Business Rates collection rate was significantly 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 2020, 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.

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
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DATE:	July 2021
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BACKGROUND PAPER:	N/A
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