



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance

DATE: 10 February 2022

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2021/22 – Quarter 3 (9 months to 31st December 2021)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st December 2021, 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 2021/22 has now decreased from £38.339 million, as approved by Executive Board on 11th November 2021, to £25.485 million. The net variation of £12.854 million (detailed in Appendix 2) reflects;

- Variations made to reflect the approval of schemes during the third quarter of the year, including an increase of £0.480 million (£0.248M of which are funded from reallocation of budgets within the existing 2021/22 programme)
- further variations during the third quarter of the year, for which approval is requested (£1.137 million)
- slippage and re-profiling of budgets during the third quarter of the year (£14.223 million).

b) As at 31st December 2021, the capital expenditure across the portfolios was £9.178 million (representing 36.0% of the current, revised projected capital spend).

c) The estimated capital receipts expected in 2021/22 is £5.0 million; £4.619 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 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.

The capital programme for 2021/22 has decreased by £12.854 million in the third quarter of the year. 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 third quarter of 2021/22 and have now been added to the capital programme as follows:

Scheme	Amount 2021/22	Amount Future Years	Approved By	Date Approved
Growth and Development				
Darwen Towns Fund – J4 Skatepark Advance Payment	£200,000	-	Executive Member Decision	25-Jun-21
Manxman Road Car Park	£32,000	-	Chief Officer Decision	21-Dec-21
Digital and Customer Services				
Transition to the Cloud – Reallocation from Corporate ICT Earmarked Scheme	£10,000	£238,000	Executive Board	11-Nov-21
Total	£242,000	£238,000		

6.1.2 Adults and Prevention Services

Disabled Facilities Grant & Telecare Project

Approval is sought to reprofile £943,000 on the Disabled Facilities Grant scheme and £80,000 on the Telecare Project scheme in to 2022/23.

Safer Streets Fund

The grant to be received in respect of the Safer Streets Fund has increased, of which £32,000 relates to capital spend. It is therefore requested that the budget for this scheme is increased for this amount.

6.1.3 Children's Young People & Education

Disabled Facilities Grant

Approval is sought to reprofile £400,000 on the Disabled Facilities Grant scheme in to 2022/23.

Schools Capital Schemes

Approval is sought to slip the following into 2022/23, as these schemes are not expected to be completed in this year:

Scheme	Slippage Requested £
St Barnabas and St Pauls	135,000
Shadsworth Infants - Heating	247,000
Lammack Extension	1,500,000
Longshaw Nursery Relocation	500,000
Shadsworth Infants Extension and Remodel	200,000
Avondale Resurface Playground	105,000
Brookhouse Primary (Nursery) Replace Roof System	56,000
Lower Darwen Primary Heating System	158,000
Roe Lee Roofing, Upstandings and Windows	146,000
Roe Lee Repairs to Service Road, Ext Areas and Auto Gates	78,000
Other Variances < £50,000	337,000
Total Slippage	3,462,000

6.1.4 Environmental Services

Slippage

Approval is requested to slip £104,000 on the Land Remediation scheme and £230,000 on the Blakewater Car Park scheme into 2022/23 as these works are not expected to be completed in 2021/22.

6.1.5 Growth and Development

Local Transport Plan

Slippage of S106 funding is also reported as identified below:

Scheme	Slippage Requested £
West Bank Infrastructure	118,000
Yew Tree Lane	581,000
Blackburn North Roe Lee	150,000
Blackburn North at Ramsgreave Drive	130,000
Total S106 Slippage	979,000

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 £	Other Variations £
Neighbourhood Intervention Fund	205,000	54,500
Equity Loans	50,000	-
Empty Homes Cluster	60,000	-
Land Release Fund	309,000	-
Total Slippage	624,000	54,500

Capital receipts of £54,500 have been recycled back into the Neighbourhood Intervention Fund and a request is made to increase the scheme by this value.

Blakey Moor

Approval is sought to reprofile £2,302,000 of the budget on the Blakey Moor scheme into 2022/23 for works on this scheme which are not expected to be completed in the current year.

Darwen Tower

Approval is requested to slip £108,000 in respect of this scheme into 2022/23. Works are not expected to be completed in the current year as they are dependent on the weather.

Thwaites SPV

Due to a realignment in the investment profile in respect of this scheme, approval is sought to slip £245,000 into 2022/23.

Darwen Towns Fund

During the quarter, the Council has received £1,250,000 of advance funding in respect of the Darwen Town Deal. Approval is requested to add a budget to the capital programme for this amount. This funding includes £200,000 in respect of amounts previously approved to be advanced to J4 Skatepark (as reported in 6.1.1).

6.1.6 Digital and Customer Services

Corporate ICT Schemes – Slippage

A request is made to approve the following re-profiling Corporate ICT scheme budgets into 2022/23 for schemes not expected to be completed during the current year:

Scheme	Slippage Requested £
Finance System	20,000
Corporate Website	16,000
Digital Customer Portal	40,000
Round Management System	4,000
Replacement HR and Payroll System	306,000
Microsoft 365 and Unified Comms	45,000
Transition to the Cloud	238,000
Total Slippage	669,000

Ticketing System – KGH/DLT

This scheme is now complete with a remaining budget of £24,000 unspent. Approval is sought to transfer the unspent budget back to the Corporate ICT earmarked scheme.

Reablement System

This scheme is expected to complete shortly with a remaining budget of £28,000 unspent. Approval is sought to transfer the unspent budget back to the Corporate ICT earmarked scheme.

Liquidlogic Group Work Module

This scheme is expected to complete shortly with a remaining budget of £20,000 unspent. Approval is sought to transfer the unspent budget back to the Corporate ICT earmarked scheme.

6.1.7 Finance and Governance

Slippage

Approval is sought to slip the following into 2022/23, as these schemes are not expected to be completed in this year:

Scheme	Slippage Requested £
Carbon Management Plan	67,000
Corporate Accommodation Strategy Phase 2	850,000
Mill Hill Community Centre Roof	50,000
Prayer Shelter at Pleasington Cemetery	275,000
Total Slippage	1,242,000

6.1.8 Earmarked and Contingent Schemes

Corporate Property Investment Earmarked Scheme

Approval is sought to slip £1.335 million of this Earmarked Scheme allocation from the 2021/22 programme to meet the costs in future years. This will be utilised to help the Council fulfil its future growth and development plans.

Asset Management Strategy Contingent Scheme

Approval is requested to slip £1.5 million of this Contingent Scheme allocation from the 2021/22 programme to meet the costs in future years. This will be utilised to help the Council fulfil its future asset management plans.

6.2 CAPITAL RECEIPTS

Actual capital receipts in the first 9 months of the year were £4.619 million. All of these receipts will be utilised to reduce the Council's underlying debt 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 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 have risen over the period. Investment interest rates have also increased throughout the third quarter of the year. To date it is now projected that:

- a) Interest and investment income will be £10,000 higher than originally forecast. This is mainly due to higher than expected investment balances as a result of grants in respect of COVID costs from central government received in advance of spend being incurred,
- b) Debt interest payable will be £232,000 lower than previously forecast. This is due to short term borrowing levels being lower than originally anticipated as well as the interest rates on short term borrowing remaining lower than originally forecast in the first three quarters of the year.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarters 1 & 2 £	Movement Quarter 3 £	Forecast at Quarter 3 £
Interest and investment income	(15,000)	(15,000)	(10,000)	(25,000)
Debt interest payable	12,285,500	11,905,000	(232,000)	11,673,000
MRP	6,016,000	5,892,000	-	5,892,000
Total	18,286,500	17,782,000	(242,000)	17,540,000

The current borrowing and investment position is as follows:

	Amounts at 31/12/21 £000	Amounts at 30/09/21 £000	Amounts at 30/06/21 £000	Amounts at 31/03/21 £000
Short term borrowing	20,000	40,000	69,250	78,250
Long term borrowing	143,564	143,564	145,681	145,681
Transferred debt re Local Government Reorganisation	13,175	13,311	13,582	13,582
Recognition of debt re PFI arrangements	60,209	60,673	61,138	61,603
TOTAL BORROWING	236,948	257,548	289,651	299,116
Investments made by the Council	53,100	61,873	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 31st December 2021. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/2021	Position at 31/12/2020
Council tax		
Current year balance (£000)	15,915	14,164
Previous year arrears (£000)	11,795	13,004
Total Council tax balances	27,710	27,168
Collection rates	77.8%	78.2%
Business rates		
Current year balance (£000)	8,769	6,682
Previous year arrears (£000)	2,812	3,278
Total Business rates balances	11,581	9,960
Collection rates	77.2%	76.1%
Housing Benefit		
Overpayments balances (£000)	2,463	2,622

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:	January 2022
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BACKGROUND PAPER:	N/A
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