



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and Customer Services

DATE: 8th November 2018

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2018/19 – Quarter 2 (6 months to 30th September 2018)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th September 2018, 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 projected aggregate cost of the Council's capital investment programme for 2018/19 has now decreased from £37.066 million, as approved by Executive Board on 9th August 2018, to £33.578 million. The net variation of £3.488 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the second quarter of the year (£454,000).
- slippage and re-profiling of budgets during the second quarter of the year (£3.942 million).

b) As at 30th September 2018, the capital expenditure across the portfolios was £5.517 million (16.4% of the current, revised projected spend).

c) The estimate of capital receipts expected in 2018/19 is £2.9 million; to date £568,000 has been received.

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 2018-21, as approved at Finance Council on 26th February 2018.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2018/19 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2018/19 has decreased by £3.488 million in the second quarter, the major capital variations to note are as follows:

6.1.1 New Approved Capital Schemes

The following capital schemes have been approved and are now added to the capital programme:

Portfolio	Scheme	Amount	Approved by	Date Approved
Health & Adult Social Care	Demolition of Blakewater Lodge	£118,000	Executive Member	12/10/2018
Regeneration	Refurbishment Loans Pilot Project	£100,000	Executive Member	03/11/2017
Resources	Corporate ICT – Corporate Website	£142,000	Executive Member	8/06/2018
Resources	Corporate ICT – Replacement Committee Management System	£20,000	Delegated Powers Decision	08/11/2017
Resources	Blackburn Town Centre Security	£47,000	Executive Member	17/08/2018

6.1.2 Health & Adult Social Care

Adults Disabled Facilities Grant (DFG)

The DCLG have confirmed the DFG capital allocation for 2018/19 as £1,739,476 and the latest capital programme has been increased by £78,000 to reflect this funding.

6.1.3 Children, Young People & Education

Special Provision Fund Capital Grant

The special provision fund allocations are to support local authorities to make capital investments in provision for pupils with special educational needs and disabilities. Local authorities can invest in new places and improvements to facilities for pupils with education, health and care plans in mainstream and special schools nurseries, colleges and other provision. Allocations for this grant will be issued to Blackburn with Darwen Borough Council over the three financial years from 2018-19 to 2020-21 and is not a time-bound grant. The 2018-19 allocation is £166,000, of which £35,000 has been utilised to fund the Intack Kitchen project, and the balance of £131,000 has been added to the schools capital allocations whilst potential schemes are investigated.

St Barnabas and St Pauls

This scheme was for the enlargement of the school site. Work is expected to start this financial year but the majority of the work will be undertaken in 2019/20. Therefore approval for slippage of £452,000 to 2019/20 is requested.

Audley Infant And Junior – New Heating Scheme

As this is a major scheme it will cause significant disruption to the school, and has therefore been delayed to the summer of 2019/20 when works will be completed during the school summer holidays.

Slippage of £450,000 is therefore requested.

Longshaw Junior External Path and Car Park

Both these schemes have now been combined and tendered as one scheme, and cost savings will be realised as a result of this. £30,000 has been vired from the car park scheme into the external path scheme. Savings on this scheme will be reported in future budget monitoring reports when these are known.

6.1.4 Leisure & Culture

Blakeys Air Conditioning

Budget of £72,000 was approved to cover the costs to replace the air handling system, the removal of the bar and to erect a new stud wall partition, of which £1,000 was spent in 2017/18. Outturn costs for this scheme are estimated to be in the region of £120,000 as additional works have been carried out at this site including asbestos removal, new hot water system and alterations to the central battery emergency lighting.

6.1.5 Regeneration

Neighbourhood Intervention Fund

The £77,000 decrease in the programme during the quarter relates to:

- a virement of £32,000 **from** the Fund – in respect of an equity loan repayment transferred to the Equity Loans Scheme.
- Capital receipts of £55,000 recycled back **into** the Fund from the sale of two properties following Compulsory Purchase Orders.
- A virement of £100,000 **from** the Fund to establish a Refurbishment Loans pilot project which will assist owners in bringing empty properties back into use.

Refurbishment Loans Pilot Project

As reported above, this is a new scheme to add to the capital programme, of £100,000 which will be funded by a transfer of resources from the existing Neighbourhood Intervention Fund capital programme.

Reel Cinema

The phasing of the budget has been reviewed and as a result a request is made to re-profile £510,000 of the budget from the 2018/19 into 2019/20.

6.1.6 Resources

Corporate ICT – Public Access

The cost of the technical solution was less than the budget originally provided. A request is made to reduce this scheme by £140,000 and to transfer this into the Corporate ICT earmarked schemes so that this can be utilised on future ICT schemes.

Corporate ICT Schemes

A request is made to approve the re-profiling of the Corporate ICT schemes as listed below, as these projects will not fully complete in 2019/20:

Scheme	Slippage Requested
WAN Connectivity	£90,000
Desktop Refresh	£495,000
Core Infrastructure Programme	£250,000
Corporate Website	£42,000

Corporate Accommodation Strategy Phase 2

Following a review of the extent and affordability of this planned scheme, a significant element of the budget (£1.70 million) has been re-profiled into future years.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of September 2018 were £568,000; 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 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 Resources 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.

The Council has continued its strategy of financing capital expenditure through short term borrowing, whilst short term interest rates have remained low. The last long term borrowing arrangement put into place was over three years ago. Interest rates have increased beyond the levels anticipated in setting the 2018/19 Estimates. The previous quarter monitoring projected an increase in net borrowing costs for 2018/19. As yet, no further cost increases for this year are currently anticipated, but there may be further cost increases in this area, if interest rates or borrowing needs increase further than currently expected, or if it is determined that it is more prudent, in the medium term, to take more long term borrowing instead.

The current borrowing and investment position is as follows:

	Amounts at 31/03/18 £000	Amounts at 30/06/18 £000	Amounts at 30/09/18 £000
Short term borrowing	85,000	69,000	72,000
Long term borrowing	125,341	122,061	122,061
Transferred debt re Local Government Re-organisation	15,352	15,352	15,045
Recognition of debt re PFI arrangements	66,849	66,419	65,990
Investments made by the Council	33,720	21,441	24,623

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 categories of debt and the total outstanding debt in the respective areas at a single point in time, i.e. 30th September 2018. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/09/18	Position at 30/09/17
Council tax		
Current year arrears (£000)	29,118	27,352
Previous year arrears (£000)	9,789	9,087
Total Council tax arrears	38,907	36,439
Collection rates	51.48%	51.80%
Business rates		
Current year arrears (£000)	20,625	20,352
Previous year arrears (£000)	2,716	2,693
Total Business rates arrears	23,341	23,045
Collection rates	55.63%	56.84%
Housing Benefit		
Overpayments balances (£000)	2,709	2,837

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:	V4
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CONTACT OFFICER:	Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)
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DATE:	29 th October 2018
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BACKGROUND PAPER:	N/A
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