



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and Customer Services

DATE: 14th February 2019

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2018/19 – Quarter 3 (9 months to 31st December 2018)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st December 2018, 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 projected aggregate cost of the Council's capital investment programme for 2018/19 has now decreased from £33.578 million, as approved by Executive Board on 8th November 2018, to £28.656 million. The net variation of £4.922 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the third quarter of the year of £65,000.
- slippage and re-profiling of budgets during the third quarter of the year (£4.987 million).

b) As at 31st December 2018, the capital expenditure across the portfolios was £12.398 million (43.3% of the current, revised projected spend).

c) The estimate of capital receipts expected in 2018/19 is £2.3 million; to date £1.291 million 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 £4.922 million in the third quarter of the year, with the major capital variations to note 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
Leisure & Culture	Witton Park Arena – Car Park lighting	£40,000	Executive Member Resources	September 2018
Regeneration	Pottery Farm Flood Alleviation Scheme	£10,000	Grant Application - Director Of Environment & Operations	11.1.19
Children, Young People and Education	Feniscowles Disabled Changing Facilities – funded from within the Schools existing capital programme	£25,000	Senior Policy Team	27.11.18
Children, Young People and Education	Belmont Ramp - funded from within the Schools existing capital programme	£10,000	Senior Policy Team	27.11.18

6.1.2 Health & Adult Social Care

Adults Disabled Facilities Grant (DFG)

Changes to the Adults Disabled Facilities grant are reported as per the table below:

	£'000
Approved Disabled Facilities Grant Scheme as per the November Executive Board Report	2,535
Changes to the scheme:	
Additional Grant Funding from MHCLG	207
Removal of main programme borrowing budget as this will not be utilised	(796)
New Scheme total as at 31.12.18	1,946

Riverside Heights Extra Care Scheme

A request is made to draw back £80,000 from future years to cover the predicted spend in 2018/19.

6.1.3 Children, Young People & Education

Disabled Facilities Grant

As for the Adult's Disabled Facilities Grant scheme, a reduction of £37,000 is also reported in respect of the Children's scheme in respect of Main Programme Borrowing that will no longer be required.

Slippage of £200,000 from 2018/19 into 2019/20 is also reported; this reflects £98,000 of approved work that will only start in 2019/20 due to capacity issues in delivery, planning and legal issues, along with outstanding information required from the families concerned. There are 17 further applications that are awaiting approval at the next Disabled Facilities Grant Operational Group.

Two Year Old Grant

Approval to slip £186,000 of the programme from 2018/19 into 2019/20 is requested. This is grant funding for two year old nursery placements and is not time bound; a review is being undertaken to identify the work that could be commissioned to utilise this grant.

Schools

Slippage is requested from 2018/19 into 2019/20 on the following education schemes, as works will only commence in the summer of 2019, to minimise the disruption to the schools:

Scheme	Amount Of Slippage into 2019/20
Shadsworth Junior External Works	£14,000
Avondale Kitchen	£100,000
Feniscowles	£100,000

6.1.4 Leisure & Culture

Blakeys Air Conditioning

As reported to Executive Board in November 2018, additional works were required including asbestos removal, a new hot water system and alterations to the central battery emergency lighting. The final cost of the scheme is projected to be £130,000 and an increase to the scheme of £58,000 is now requested from main programme borrowing.

6.1.5 Regeneration

Cathedral Quarter Office Block Fit Out Costs

The remaining budget of £51,000 was to be used in 2018/19 to fund the fit out costs for a new tenant. As the unit is now back out to market, a request is made to slip the budget into 2019/20 so this can be used, if required, when a tenant is found.

Blakey Moor

Further to the Executive Member Decision, approved on 28th December 2018, for additional work to be carried out at 35 Northgate (which forms part of the current Town Centre Heritage scheme on Blakey Moor), the costs of the work (estimated to be £110,000) will be added to the programme and will be funded from the earmarked scheme for Corporate Property Investment.

It is estimated that the outturn position for 2018/19 on this scheme will be £463,000 and therefore slippage is reported of £1,094,000 into 2019/20.

Local Transport Plan/National Productivity Investment Fund/Growth Deal 3 - Pennine Gateways/ Darwen East Corridor

The variations reported in Appendix 2 for the above schemes, reflect those reported within the Executive Member Decision paper on the LTP 2018/19 Programme Update on 11th January 2019.

Neighbourhood Intervention Fund

Capital receipts of £41,000 have been recycled back into the scheme from the sale of three properties following Compulsory Purchase orders. A request to approve the increase to the scheme is made.

Equity Loans

The increase to the programme during the quarter relates to a capital receipt of £31,000 recycled

back into the fund from the repayment of an equity loan.

Affordable Warmth Grants

An Executive Member Decision was approved on 19th October 2018 to add this scheme to the capital programme. Funding will be vired from the current existing schemes for: Insulation For Hard To Treat Places and for DECC, as reported in Appendix 2.

Housing Schemes

Approval is sought to slip the following schemes into 2019/20 as spend will not be incurred in the current financial year:

Scheme	Amount of Slippage from 2018/19 into 2019/20
Bank Top and Griffin Clearance	£200,000
Neighbourhood Intervention Fund	£500,000
Equity Loans	£150,000
Empty Homes Cluster	£420,000
Land Release Fund	£700,000

6.1.6 Resources

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 2018/19:

Scheme	Slippage Requested
Legal Services Case Management System	£68,000
Core Infrastructure Programme	£540,000
Corporate Website	£50,000
Ticketing System KGH/DLT	£27,000

Corporate DDA Work

Approval of slippage from 2018/19 into 2019/20 of £169,000 is requested as works have been on hold this year due to the review of Council premises under the Accommodation Strategy Phase 2 review. The programme of work will recommence in 2019/20.

Griffin Lodge

A request is made to slip the budget of £300,000 into 2019/20 is made as the scheme is currently under review subject to the freehold sale of the building.

Davyfield Road Bungalow

This scheme is currently in an overspend position and confirmation of the final billing is awaited. Once the final costs are known, this will be reported with the increase transferred from the Earmarked Corporate Accommodation Strategy Phase 2 Scheme.

Corporate Accommodation Strategy Phase 2

As reported to Executive Board on 13th December 2018, due to the Council's budget constraints the scheme has been scaled back and the cost of the revised, internal modifications to Blackburn Town Hall is now estimated to be £2.5 million. A reduction to the scheme of £4 million is therefore reported.

Land Remediation Scheme

Whilst work commenced at the Stockclough Lane site, this was subsequently put on hold due to poor

ground conditions. Work will recommence in the new financial year when the conditions have improved; a request is therefore made to approve slippage of £195,000 into 2019/20.

Blakewater Lodge Demolition

Due to higher than expected levels of asbestos on site, costs have increased on the scheme in respect of its removal. A request is made to transfer funding of £32,000 from the earmarked scheme for Corporate Property Investment to cover the additional costs.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of December 2018 were £1.291 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 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 for a number of years chosen to take only new short term borrowing, whilst interest rates have remained low, generating significant savings for the revenue budget. In order to limit the risks of over-reliance on low short term interest rates, it was always anticipated that, at some point, it would be necessary to move back into taking more long term borrowing, through the PWLB (Public Works Loan Board). Although short term rates increased over the course of the first three quarters of the financial year, in mid-December the PWLB rates fell and it was judged an opportune time to take £35M of new PWLB loans. This increases borrowing costs in the short term, particularly into 2019/20, but puts the Council on a more stable financial footing over the medium to long term. For this financial year, projected borrowing costs have increased by £149,000, but this has been largely offset by an increase in forecast interest and dividend income of £130,000.

Interest and debt repayment revenue budgets

	Original Budget	Budget at Quarter 2	Movement Quarter 3	Budget at Quarter 3
Interest and investment income	(192,700)	(202,700)	(130,000)	(332,700)
Debt interest payable	12,305,900	12,392,900	149,000	12,541,900

MRP	6,171,000	6,166,000	0	6,166,000
Total	18,284,200	18,356,900	19,000	18,375,200

Until existing short term debt matures over the last quarter of the year, the gross borrowing and investment positions are significantly increased. The current borrowing and investment position is as follows:

	Amounts at 31/03/18 £000	Amounts at 30/09/18 £000	Amounts at 30/12/18 £000
Short term borrowing	85,000	72,000	78,000
Long term borrowing	125,341	122,061	156,279
Transferred debt re Local Government Re-organisation	15,352	15,045	15,045
Recognition of debt re PFI arrangements	66,849	65,990	65,600
Investments made by the Council	33,720	24,623	62,500

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. 31st December 2018. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/18	Position at 30/12/17
Council tax		
Current year arrears (£000)	12,748	12,042
Previous year arrears (£000)	10,688	8,611
Total Council tax arrears	23,436	21,013
Collection rates	78.8%	77.8%
Business rates		
Current year arrears (£000)	9,059	8,511
Previous year arrears (£000)	2,540	2,286
Total Business rates arrears	11,599	10,797
Collection rates	80.49%	81.8%
Housing Benefit		

Overpayments balances (£000)	3,165	2,636
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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.

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DATE:	31 January 2019
BACKGROUND	N/A

PAPER:	
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