



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and Customer Services

DATE: 13th June 2019

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES ☒ NO ☐

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT Quarter 4 2018/19 – as at 31st March 2019

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st March 2019, highlighting key issues and explaining variations at the year end with regard to portfolio under/overspends and slippage since the last report to the Executive Board in February 2019.

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 2018/19 has decreased from the projection of £28.656 million, as approved by Executive Board on 14th February 2019, to £20.424 million at 31st March 2019. The net variation of £8.232 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the fourth quarter of the year of £385,000 of expenditure in 2018/19.
- variations to the programme in respect of (under)/overspends on schemes that have completed and closed in 2018/19 of (£338,000)
- slippage and re-profiling of budgets during the fourth quarter of the year (£8.279 million).

b) Capital receipts of £2.712 million were received during 2018/19 and were used to support the Minimum Revenue Provision. This compares with the forecast reported to the Executive Board in February, of £2.3 million.

5. POLICY IMPLICATIONS

The information contained within the report accords with the Medium Term Financial Strategy 2018-21 approved at Finance Council on 26th February 2018.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual 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 £8.232 million in the fourth quarter of the year. The major capital variations to note are as follows:

6.1.1 New Approved Capital Schemes

Several capital schemes were approved in the final quarter of the year and have now been added to the capital programme as follows;

| Portfolio | Scheme | Amount | Approved by | Date Approved |
|----------------------------------|---|-------------------|--|---------------|
| 2018/19 programme | | | | |
| Leisure, Culture & Young People | Leisure Gym Equipment | £165,000 | Executive Member Decision | 10 May 2019 |
| Regeneration | Pallet Farm Flood Alleviation Scheme | £9,000 | Director of Environment & Operations - Grant Application | 27 Feb 2019 |
| Regeneration | Waterfall Surface Water Study | £80,000 | Director Of Environment & Operations - Grant Application | 11 Feb 2019 |
| Resources | Corporate ICT Protocol Mobile Application Project | £80,000 | Digital Board | 10 Jan 2019 |
| Resources | Corporate ICT Replacement Unix Servers | £51,000 | Executive Member Decision | 22 Jan 2019 |
| TOTAL 2018/19 | | £385,000 | | |
| 2019/20 programme | | | | |
| Leisure, Culture & Young People | Witton 3G Pitches | £1,178,000 | Executive Board Decision | 14 Mar 2019 |
| TOTAL 2018/19 and 2019/20 | | £1,563,000 | | |

6.1.2 Health & Adult Social Care

Disabled Facilities Grant

Approval is requested to carry forward funding of £481,000 in respect of the Disabled Facilities Grant. The allocation has been committed to specific works/projects but due to other commitments in the final quarter of the year, the work could not be completed by the Corporate Building Team prior to 31st March 2019.

Telecare Project

A request is made to carry forward £67,000 of the Telecare Project allocation to fund expenditure on this scheme in 2019/20.

Riverside Heights Extra Care Scheme

Approval is requested to bring forward £84,000 of the programme budget for this scheme from 2019/20 into 2018/19 to cover the expenditure incurred during the year.

6.1.3 Children, Young People & Education

Disabled Facilities Grant

As reported to Executive Board in February 2019, due to capacity issues in delivery, together with planning and legal issues and outstanding information required from the families concerned, work will only start on several of the approved schemes in 2019/20. As such approval is requested to carry forward £40,000 of the allocation in to 2019/20.

Longshaw Nursery

This scheme completed during 2018/19 with an underspend against the capital budget allocation of £145,000. The Department of Education has recovered £115,000 of unspent grant on this scheme.

Capital Allocations for Schools

Additional Devolved Formula Capital Grant of £420,000 was confirmed for individual schools for 2018/19. 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 £1.949 million for carry forward and utilisation in 2019/20.

As work will only commence on these schemes in 2019/20, or funds will be required to meet the costs of retention payments, approval is sought to slip the balances on individual school schemes as follows:

| Schemes | Slippage To 2019/20 £ |
|---|----------------------------------|
| Two Year Old Grant | 45,000 |
| Audley Juniors | 7,000 |
| St Barnabas and St Pauls | 254,000 |
| Audley Junior Roofing Works | 266,000 |
| Belmont | 1,000 |
| Roe Lee Park – Classroom Works | 58,000 |
| Griffin Park Kitchen | 100,000 |
| Shadsworth Infants – Heating | 100,000 |
| Brookhouse Primary – Upgrade Fire Alarm | 20,000 |
| Longshaw Infants – Fire Alarm | 20,000 |
| Belmont Ramp | 10,000 |
| Contingency | 16,000 |
| TOTAL | 897,000 |

The following Education schemes have completed during the year and the final underspends arising are reported as follows:

| Scheme | Underspend £ |
|--|-------------------------|
| St Thomas CE Primary | 61,000 |
| St Thomas Centre Phase 2 | 24,000 |
| Longshaw Junior | 20,000 |
| Lower Darwen | 68,000 |
| Intack Kitchen | 15,000 |
| Ashleigh Windows | 4,000 |
| Brookhouse Primary Remodel Toilets | 5,000 |
| Daisyfield Junior Toilets | 8,000 |
| Meadowhead Junior – Safeguarding Fencing | 3,000 |
| Shadsworth Junior Boys Toilets | 12,000 |
| Total | 220,000 |

Carry forward is requested of £13,000 across these schemes to meet the costs of retention payments due in 2019/20.

6.1.4 Environment

Old Bank Lane Car Park

Approval is requested to carry forward the slippage on this scheme of £131,000 to cover the costs for the electronic signage to the car park that will be installed in 2019/20.

Brown Street Car Park Extension

£20,000 of the Local Transport Plan Capital allocation has been utilised to cover the full costs of the extension on Brown Street.

6.1.5 Regeneration

Assistance to Industry

Slippage of £79,000 is reported in relation to grants that have been approved, but will only be paid in 2019/20.

Darwen Three Day Market

The last valuation on this scheme is expected to be reported in April 2019, when work will have completed. A request is therefore made to slip the remaining budget of £135,000 to cover both the last valuation and the retention costs for the scheme.

Blakey Moor

The 2018/19 contribution from the Local Transport Plan capital budget has reduced by £160,000 as work has not progressed as quickly as anticipated on the Public Realm works. This contribution will instead be made from the budget in 2019/20.

Approval has also been given to increase the scheme by £127,000 in future years, under delegated powers, to cover the costs of compensation claims for properties that have been compulsory purchased.

As this scheme is profiled over several years, approval is also sought to slip the unspent budget of £113,000 into 2019/20.

Local Transport Plan

A request is made to slip £830,000 of the Local Transport Plan capital budget into 2019/20. This relates to S106 contributions that have not yet been received. The spend will be incurred in the next financial year to match receipt of the S106 contribution.

The requested variation of £324,000 is broken down as follows:

| Details of variation | £ |
|---|----------------|
| Release of LTP budget re: Fabric Borders/Growth Deal 3/Darwen East Corridor (see Appendix 2) | 439,000 |
| Reduction in S106 contributions re: Roe Lee | (350,000) |
| Virement to Brown Street Car Park | (20,000) |
| Virement to Railway Road Darwen Market Scheme | (156,000) |
| Increased Funding from third party contributions | 251,000 |
| In-year reduction in contribution to Blakey Moor scheme (this contribution will be made to Blakey Moor via the 2019/20 LTP) | 160,000 |
| Requested Variation | 324,000 |

Growth Deal 3 (Pennine Gateways)

A request is made to slip £586,000 on this scheme which relates to Lancashire Enterprise Partnership funding that will be incurred and claimed in 2019/20.

Granville Rd/Westland Avenue Flood Study

This scheme is now complete and an underspend of £59,000 is reported. The unspent funding will be returned to the Environment Agency.

Birch Hall Ave Diversion Appraisal

The scheme is almost complete and a request is made to slip the unspent budget of £57,000 to 2019/20 to cover the final costs incurred.

Livesey Branch Road Culvert

This scheme is now complete and an underspend of £27,000 is reported. The unspent funding will be returned to the Environment Agency.

Growth Team Housing Schemes

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

| Scheme | £ |
|-----------------------------|----------------|
| Bank Top and Griffin | 14,000 |
| Refurbishment Loans | 90,000 |
| Empty Homes Cluster | 40,000 |
| Other Acquisition Costs | 10,000 |
| Development Investment Fund | 53,000 |
| Capacity Funding | 37,000 |
| Land Release Fund | 24,000 |
| TOTAL | 268,000 |

Affordable Warmth Grants

Grants to the value of £8,000 have been awarded in year, it is expected that applications for grants will increase during the winter months. Slippage of the capital allocation balance of £35,000 is requested.

Reel Cinema

Approval is sought to slip £1.751 million in to the 2019/20 programme for this scheme following reprofiling of the budget.

6.1.6 Resources

ICT Schemes

As itemised in Appendix 2, approval is sought to slip £470,000 from 2018/19 in to the 2019/20 programme in respect of ongoing ICT capital schemes.

Carbon Management Plan

A request is made to approve the slippage of £114,000 on this scheme in to 2019/20 as this will be utilised to meet the costs of the Blackburn Market replacement LED works.

Davyfield Road Bungalow Remodel

The remodel works at Davyfield Road are part of the Council's overall accommodation strategy. This element of the works is now complete and a request is made to vire £66,000 from the Accommodation Strategy Phase 2 scheme to cover the full costs of the remodel works at Davyfield.

Demolition of Higher House Farm

The demolition of buildings at Higher House Farm have completed and an underspend of £65,000 is reported on this scheme. Approval is required to transfer the unspent budget to the Corporate Property Investment earmarked scheme for this to be utilised on future schemes.

Digital Advertising Screen Blackburn Town Centre

The digital advertising screen is fully operational and the scheme is now closed. An underspend of £16,000 is reported on this scheme.

Corporate Accommodation Strategy Phase 2

As noted above it is proposed to utilise £66,000 of the budget allocation to fund the completion of the works to the Davyfield Road depot; for the balance of the 2018/19 allocation, approval is sought to carry this forward to 2019/20 to support delivery of the strategy and the work to be undertaken on Blackburn Town Hall.

Blackburn Town Centre Security

The preparation work has been completed on this scheme and the final quote for the main works have been received; works will commence in 2019/20 and therefore a request is made to slip £52,000 of the scheme allocation into 2019/20.

Blakewater Lodge

An overspend of £24,000 is reported against the capital allocation as additional costs were incurred on finding asbestos tanking in the ground during demolition. It is proposed to meet these costs by a virement of £24,000 from the Corporate Property Investment Earmarked Scheme.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of March 2019 were £2.712 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 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 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 and Customer Services, her staff and the Council's independent treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

After taking £35M of new, long term, PWLB loans in December as reported in the previous quarter, there followed a reduction in the overall levels of short term borrowing towards the end of the financial year, with limited levels of new short term loans taken in the run up to the new financial year.

The Council is a shareholder in the companies delivering the local PFI schemes for Building Schools for the Future (BSF). Following a re-financing exercise on the BSF Phase 1 Scheme, a one-off payment of £1.03M was received by the Council, reflecting the reduction in future interest costs following the interest rate swap. Re-financing of the Phase 2 Scheme is now also under consideration for 2019/20.

In addition, further net interest savings were achieved, primarily as a result of higher returns on investments and a small saving on the costs of short term borrowing.

Interest and Debt Repayments Revenue Budget

| | Forecast at Qtr 3 | Movement in Qtr 4 | Year End Outturn |
|--------------------------------|-------------------|--------------------|-------------------|
| Interest and investment income | (332,700) | (61,600) | (394,300) |
| PFI refinancing receipt | 0 | (1,032,600) | (1,032,600) |
| Debt interest payable | 12,541,900 | (28,400) | 12,513,500 |
| MRP | 6,166,000 | (3,500) | 6,162,500 |
| Total | 18,375,200 | (1,126,100) | 17,249,100 |

The gross levels of borrowing and investments, which had increased after the PWLB loans were taken out in December, had fallen by the end of the year.

| | Amounts at 31/03/18 £000 | Amounts at 31/03/19 £000 |
|---|--------------------------------|--------------------------------|
| Short term borrowing | 85,000 | 41,000 |
| Long term borrowing | 125,341 | 156,279 |
| Transferred debt re Local Government Reorganisation | 15,352 | 14,738 |
| Recognition of debt re PFI arrangements | 66,849 | 65,130 |
| TOTAL BORROWING | 292,542 | 277,147 |
| Investments made by the Council | 33,720 | 24,475 |

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 2019. The table also shows the corresponding level of debt at the same point in the last financial year.

| | Position at 31/03/19 | Position at 31/03/18 |
|-------------------------------------|-------------------------|-------------------------|
| Council tax | | |
| Current year arrears (£000) | 2,980 | 2,556 |
| Previous year arrears (£000) | 10,934 | 8,027 |
| Total Council tax arrears | 13,913 | 10,583 |
| Collection rates | 95.1% | 95.4% |
| Business rates | | |
| Current year arrears (£000) | 625 | 687 |
| Previous year arrears (£000) | 2,048 | 2,010 |
| Total Business rates arrears | 2,672 | 2,697 |
| Collection rates | 98.3% | 98.5% |
| Housing Benefit | | |
| Overpayments balances (£000) | 3,197 | 2,737 |

Council Tax

The current year collection rate is marginally lower than the previous year, arrears continue to increase, due mainly to the inability to collect arrears from Council Tax Support claimants.

Business Rates

Business Rates continues to have legislative changes that result in a reduced level of chargeable Business Rates and as a consequence, a reduced level of collectable debt; these include changes to small business rate relief and the introduction of government reliefs and pub reliefs.

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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| VERSION: | V1 |
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| CONTACT OFFICER: | Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893) |
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|--------------|---------------|
| DATE: | 28th May 2019 |
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| BACKGROUND PAPER: | N/A |
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