



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources
LEAD OFFICERS: Director of Finance and Governance
DATE: 8th August 2019

PORTFOLIO/S AFFECTED: Resources
WARD/S AFFECTED: All
KEY DECISION: YES NO

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2019/20 – Quarter 1 (3 months to 30th June 2019)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2019, 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

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 2019/20 has now increased from £30.618 million, as approved by Finance Council on 25th February 2019, to £37.941 million. The net variation of £7.323 million (detailed in Appendix 2) reflects;

- An increase of £9.584 million in respect of requested variations to the programme following the finalisation of the outturn position for 2018/19 and
- A net reduction of £2.261 million to reflect the approval of schemes during the first quarter of the year and £3.782 million in respect of budgets that have now been re-profiled to 2020/2021.

b) As at 30th June 2019, the capital expenditure across the portfolios was £4.565 million (representing 12% of the current, revised projected capital spend).

c) The estimate of capital receipts expected in 2019/20 is £4.4 million; £886,759 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 2019-22, as approved at Finance Council on 25th February 2019.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2019/20 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

Since the Capital Programme for 2019/20 was approved by Finance Council on 25th February 2019, it has increased by £7.323 million; £9.584 million of this relates to variations reported in the 2019/20 outturn report presented to Executive Board in June. The other main points to note are as follows:

6.1.1 New Approved Capital Schemes

Several capital schemes were approved in the final quarter of 2018/19 and have now been added to the capital programme as follows:

Scheme	Amount	Approved By	Date Approved
Children, Young People & Education Portfolio			
Audley Junior Roofing – increase for asbestos removal	£15,000	Executive Member Decision	7.6.19
Longshaw Nursery Asbestos Removal	£15,000	Executive Member Decision	7.6.19
Feniscowles Asbestos Removal	£15,000	Executive Member Decision	7.6.19
Belmont Drainage and External Painting	£20,000	Executive Board	10.5.19
Audley Infants Remodel Reception Class	£220,000	Executive Board	10.5.19
St Michaels and St Johns Kitchen Canopy	£20,000	Executive Board	10.5.19
Meadowhead Infants external works	£100,000	Executive Board	10.5.19
Griffin Park Windows	£25,000	Executive Board	10.5.19
Feniscowles Drainage	£15,000	Executive Board	10.5.19
Turton/Edgeworth Windows	£40,000	Executive Board	10.5.19
Meadowhead Junior Boiler	£10,000	Executive Board	10.5.19
St Cuthberts SEN	£180,000	Executive Board	10.5.19
BSH/Crosshill SEN	£436,000	Executive Board	10.5.19
Contingency	£100,000	Executive Board	10.5.19
Project Management Fee	£50,000	Executive Board	10.5.19
Digital & Customer Services Portfolio			
Microsoft Office 365	£43,000	Executive Member Decision	8.11.18

6.1.2 Adults and Prevention Services

The Disabled Facilities Grant funding has been increased by £176,000 to reflect the new allocation received for 2019-20.

6.1.3 Children's Young People & Education

The Schools Capital allocation of £1.949m has been partially allocated leaving a remaining balance of £415,000. Schemes in addition to those noted in 6.1.1 above include £26,000 for external rendering at Shadsworth Juniors and £50,000 for Avondale CP kitchen.

There is £64,000 remaining in the contingency allocation following the distribution of £36,000 of funding to contribute towards the Audley Junior Roofing, Longshaw Nursery and Feniscowles asbestos removal schemes.

6.1.4 Growth and Development

Darwen 3 Day Market

An overspend is currently predicted on the scheme of approximately £165,000 due to additional works required; discussions are ongoing with the contractor and the final position will be reported once agreed.

£17,000 of funding will be utilised from S106 contribution for Darwen open public space on the works to the public square.

Local Transport Plan/National Productivity Investment Fund/Growth Deal 3 and Darwen East Corridor

The variations noted in Appendix 2 reflect the re-profiling of the associated scheme budgets and the changes reported in the Local Transport Plan 19/20 Programme which was approved by Executive Board on 11th April 2019. As Growth Deal 3 monies are claimed according to defrayed payments on a 90% Growth Deal / 10% LTP split basis, the exact amount of Growth Deal funding claimed and received in 2019/20 and 2020/21 will be subject to change and further reporting.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of June 2019 were £886,759; 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 and Customer Services, her staff and the Council's independent Treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

Interest rates, having increased in the run up to the end of 2018/19, have stabilised and are now expected to fall, which should reduce overall borrowing costs for 2019/20. To date, it is now projected that

- (a) MRP will be £175,000 lower than anticipated in the Original 2019/20 Estimates (as a result of lower 2018/19 outturn capital spend),
- (b) net interest costs will be £125,000 lower (reflecting lower rates),
- (c) there will be at least £50,000 in additional LEP interest and dividends.

	Original Budget	Current Budget Quarter 1
Interest and investment income	(100,000)	(150,000)
Debt interest payable	12,927,900	12,802,900
MRP	6,731,000	6,556,000
Total	19,558,900	19,208,900

The current borrowing and investment position is as follows:

	Amounts at 31/03/2019 £'000	Amounts at 30/06/2019 £'000
Short term borrowing	41,000	27,000
Long term borrowing	156,264	154,148
Transferred debt re Local Government Re-Organisation	14,738	14,738
Recognition of debt re PFI arrangements	65,130	64,701
Investments made by the Council	24,475	14,155

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

	Position at 30/06/19	Position at 30/06/18
Council tax		
Current year arrears (£000)	48,256	44,518
Previous year arrears (£000)	13,123	10,267
Total Council tax arrears	61,379	54,785
Collection rates	25.28%	25.5%
Business rates		
Current year arrears (£000)	31,259	31,838
Previous year arrears (£000)	2,932	3,066
Total Business rates arrears	34,191	34,904
Collection rates	31.94%	31.4%
Housing Benefit		
Overpayments balances (£000)	2,880	2,408

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
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DATE:	24 th July 2019
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BACKGROUND PAPER:	N/A
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