



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and Governance

DATE: 14th November 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 2 (6 months to 30th September 2019)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th September 2019, 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 2019/20 has now decreased from £37.941 million, as approved by Executive Board on 8th August 2019, to £33.372 million. The net variation of £4.569 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the second quarter of the year £1.276 million
- slippage and reprofiling of budgets during the second quarter of the year (£5.845 million).
- an increase of £1.549 million to the earmarked schemes for the purchase of vehicles that may be financed through a sale and lease back agreement.

b) As at 30th September 2019, the capital expenditure across the portfolios was £10.705 million (representing 32% of the current, revised projected capital spend).

c) The estimate of capital receipts expected in 2019/20 is £4 million; £1.186 million has been received in the first six 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.

The capital programme for 2019/20 has decreased by £4.569 million in the second quarter, the major capital variations to note are as follows:

6.1.1 New Approved Capital Schemes

Several capital schemes were approved in the second quarter of 2019/20 and have now been added to the capital programme as follows:

Scheme	Amount	Approved By	Date Approved
Children, Young People & Education Portfolio			
Roe Lee Park - Boiler	£41,000	Executive Member Decision	2.8.19
Growth and Development			
Acquisition of Blackamoor Inn	£155,000	Executive Member Decision	18.10.19
Digital and Customer Services			
Town Hall IT Infrastructure	£220,000	Executive Board Decision	12.9.19
Finance and Governance			
Corporate Accommodation Strategy Phase 2	£1,000,000	Executive Board Decision	12.9.19
Approved Schemes that may potentially financed by a sale and leaseback agreement			
Kerbside Recycling Vehicles	£1,050,000	Executive Board Decision	8.8.19
Replacement Refuse Collection Vehicles	£350,000	Executive Board Decision	8.8.19
Acquisition of Grave Digger	£35,000	Chief Officer Decision	8.7.19
Corporate Building Team Vehicles	£114,000	Executive Member Decision	13.8.19

6.1.2 Adults and Prevention Services

The Disabled Facilities Grant funding has been increased by £40,000 to reflect the new allocation received for 2019-20.

6.1.3 Children's Young People & Education

Roe Lee Park – Classroom Works

This scheme has now completed with only £3,000 remaining to be paid in respect of retention costs, and an underspend of £55,000 is reported.

As above it was approved to vire £41,000 of this underspend to the new Roe Lee Park Boiler scheme and to transfer the balance of £14,000 to the Education capital allocations to fund future Education

capital works.

6.1.4 Environmental Services

Land Remediation Scheme

A request is made to slip £101,000 to fund future years costs on this scheme. Works have commenced on the gas extraction units at the Feniscowles site and it is estimated that costs to be incurred in 2019/20 will be about £90,000.

The landfill site at Bull Hill is currently being monitored and it is envisaged that remediation works will be required at this site in 2020/21.

6.1.5 Public Health

Witton 3G Pitches

A reduction of £10,000 on this scheme is reported. The Executive Board Report dated 14th March 2019 stated that the scheme was funded by £778,045 grant from the Football Foundation. However £10,000 had been received in previous years and went through the revenue budget to fund the planning and pre-works on the scheme.

Woolridge

An increase to the scheme is reported of £27,000 to complete the works on the Old Blackburnians site as reported in the Executive Member Report dated 18th March 2016. This is funded in advance from a S106 agreement that is expected to be received this financial year.

6.1.4 Growth and Development

Neighbourhood Intervention Fund

Capital receipts of £7,000 have been recycled back into the scheme and a request is made to increase the scheme.

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	£
Neighbourhood Intervention Fund	507,000
Refurbishment Loans	80,000
Empty Homes Cluster	350,000
Other Acquisition Costs	10,000
TOTAL	947,000

Acquisition Of Blackamoor Inn

This scheme was approved by an Executive Member Report dated 18th October 2019. It is funded by a virement of £80,000 from the Local Transport Plan capital scheme and £75,000 from S106 contributions.

Reel Cinema

The tenant has requested some variations that they will be funding which has increased the build time on the project. Approval is therefore requested to re-profile £985,000 in to 2020/21.

6.1.5 Digital and Customer Services

The following capital schemes have completed and the unspent budget has been transferred back to the Corporate ICT Earmarked Scheme:

Scheme	Amount Transferred to Corporate ICT Earmarked Scheme
Monitor & Management, Service Systems & op	£23,000
Public Access	£26,000
Wan Connectivity	£90,000

Desktop Refresh

Approval to slip £112,000 in to 2020/21 is requested to cover the costs that will be incurred in this year to complete this scheme.

Ticketing System King Georges Hall

As per the Delegated Powers Decision dated 13th September 2019 the scheme has been increased by £56,000 and will be fully funded from the Corporate ICT Earmarked Scheme.

6.1.6 Earmarked Schemes – Vehicles

Approval has been received to purchase the following vehicles through the capital programme with a view to these being financed through a sale and lease back deal:

6 new vehicles CBT Team £114,000
1 grave digger £35,000
2 refuse collection vehicles £350,000
6 kerbside recycling vehicles £1,050,000

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of September 2019 were £1.186 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 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 slightly increased in the run up to the end of the financial year 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 £205,000 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 £70,000 in additional Lancashire Enterprise Partnership interest and dividends.

	Original Budget	Current Budget Quarter 2
Interest and investment income	(100,000)	(170,000)
Debt interest payable	12,927,900	12,773,300
MRP	6,731,000	6,526,000
Total	19,558,900	19,129,300

The current borrowing and investment position is as follows:

	Amounts at 31/03/2019 £'000	Amounts at 30/06/2019 £'000	Amounts at 30/09/2019 £'000
Short term borrowing	41,000	27,000	37,000
Long term borrowing	156,264	154,148	152,031
Transferred debt re Local Government Re-Organisation	14,738	14,738	14,443
Recognition of debt re PFI arrangements	65,130	64,701	64,272
Investments made by the Council	24,475	14,155	16,505

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing the Building Schools for the Future (BSF) school buildings in to use which are

financed through Private Finance Initiatives (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 2019. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/09/19	Position at 30/09/18
Council tax		
Current year arrears (£000)	30,523	29,118
Previous year arrears (£000)	12,444	9,789
Total Council tax arrears	42,968	38,907
Collection rates	52.81%	51.48%
Business rates		
Current year arrears (£000)	20,261	20,625
Previous year arrears (£000)	2,705	2,716
Total Business rates arrears	22,966	23,341
Collection rates	55.9%	55.63%
Housing Benefit		
Overpayments balances (£000)	2,938	2,709

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:	V1.1
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DATE:	25 th October 2019
BACKGROUND PAPER:	N/A