



# EXECUTIVE BOARD DECISION

**REPORT OF:** Executive Member for Finance and Governance

**LEAD OFFICERS:** Director of Finance and Customer Services

**DATE:** 13<sup>th</sup> February 2020

**PORTFOLIO/S  
AFFECTED:** All

**WARD/S AFFECTED:** All

**KEY DECISION:** YES  NO

**SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT  
2019/20 – Quarter 3 (9 months to 31<sup>st</sup> December 2019)**

## 1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31<sup>st</sup> December 2019, 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 2019/20 has now decreased from £33.372 million, as approved by Executive Board on 14<sup>th</sup> November 2019, to £28.941 million. The net variation of £4.431 million (detailed in Appendix 2) reflects;

- variations made to reflect the approval of programmes during the third quarter of the year (£0.624 million of which £0.250 million will be funded from existing capital budgets)
- further variations during the third quarter of the year, for which approval is requested (reductions of £0.176 million)
- slippage and re-profiling of budgets during the third quarter of the year (reduction of £4.629 million).

b) As at 31<sup>st</sup> December 2019, the capital expenditure across the portfolios was £17.481 million (representing 60% of the current, revised projected capital spend).

c) The estimate of capital receipts expected in 2019/20 is £3.7 million; £1.319 million has been received in the first nine 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 25<sup>th</sup> 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 £4.431 million in the third quarter, the major capital variations to note are as follows:

#### 6.1.1 New Approved Capital Schemes

Several capital schemes (new schemes and amendments to existing schemes) were approved in the third quarter of 2019/20 and have now been added to the capital programme as follows:

Scheme	Amount	Approved By	Date Approved
<b>Adults and Prevention Services</b>			
Albion Mill – to be funded from Disabled Facilities Grant	£250,000	Executive Member Decision	22.11.19
<b>Growth and Development</b>			
11-13 Blakey Moor – funded from Corporate Property Investment Fund earmarked scheme	£127,000	Chief Officer Decision	20.12.19
Surface Water Remodelling - £26,000 in relation to 2019/20 and 19,500 in relation to 2020/21	£45,500	Director of Environment & Operations - Grant Application	17.10.19
<b>Finance and Governance</b>			
15a Town Hall Street Roofing – funded from Corporate Property Investment Fund earmarked scheme	£221,000	Executive Member Decision	20.12.19

#### 6.1.2 Environmental Services

##### Old Bank Lane Car Park

Signage is to be put up on this site and it is estimated that costs to be incurred in 2019/20 will be about £40,000. A request is made to slip the remaining £78,000 of budget to 2020/21 to be used for costs expected to be incurred next year.

### 6.1.3 Children's Young People & Education

There have been several requested variations to the programme in respect of schools at 31<sup>st</sup> December:

Scheme	Slippage £	Transfers Between Schemes £	Other Variations £
Two Year Old Grant	214,000	-	(2,000)
Newfield ASD – to fund overspend on the scheme	-	-	96,000
Audley Infants and Juniors Heating System	-	200,000	-
Audley Juniors Roof Repairs	247,000	(200,000)	-
BCHS/Crosshill SEN – options reviewed and scope of scheme reduced	-	-	(136,000)
Turncroft Nursery Boiler – emergency works to be funded from schools maintenance grant	-	-	30,000
Other Schemes – minor variations, over/underspends on several schemes	-	-	58,000
<b>TOTAL VARIATIONS</b>	<b>461,000</b>	<b>-</b>	<b>46,000</b>
Funded by:			
Capital Allocations	-	-	(7,500)
Contingency	-	-	53,500
<b>VARIATIONS FUNDING</b>	<b>-</b>	<b>-</b>	<b>46,000</b>

The significant variations to note are:

#### Two Year Old Grant

This is grant funding for two year old nursery placements and is not time bound; there are currently no further schemes identified to utilise this grant.

#### Audley Infants and Juniors Heating System/Audley Juniors Roof Repairs

Works are not expected to start on the heating system scheme until 2020/21. Approval is requested to transfer £200,000 from this scheme to Audley Juniors Roof Repairs and to slip the remaining £247,000 in to 2020/21. The variation on the Audley Juniors Roof Repairs scheme arises from an asbestos removal required, which was more complex than was originally envisaged, and the original scheme being phased. The roofing scheme is now to be completed as a whole this year. A further £200,000 will be requested for the heating system scheme in 2020/21.

#### Slippage

A number of schemes are expected to complete in the new financial year and as such, the budget profile will need adjustment to reallocate budget from 2019/20 into 2020/21; work is currently being undertaken to quantify the value of slippage required:

- Avondale Kitchen
- Feniscowles Heating
- Shadsworth Heating
- St Cuthberts SEN
- Belmont Drainage and External Painting
- BCHS/Crosshill SEN
- Audley Infants Remodel Reception Classroom

## 6.1.4 Growth and Development

### Cathedral Quarter Office Block Fit Out Costs

Works are due to commence on the fit out for a new tenant and it is estimated that costs to be incurred in 2019/20 will be about £13,000. A request is made to slip the remaining £38,000 budget to 2020/21 so this can be used for future potential fit out costs to facilitate lettings.

### Darwen 3 Day Market

The Darwen Market Square scheme was practically complete earlier this year and is currently in a 12 months defects period with retention released in Summer 2020. The scheme is currently overspent by £463,000, due to additional costs relating to the demolition of the 3 day market; design and project management fees; changes in paving materials due to quarry closure; design changes; replacement of heritage railings; and other highways works. In addition, urgent works to the Market Hall and Annex to accommodate both relocated and new traders, and create a new entrance for the Annex have contributed to additional spend. Other sources of capital funding relating to the investment in the Councils assets and highways are being investigated to address this, as such, no adjustment has been made to the scheme budget at this time but this will be reflected in the quarter 4 report.

### Blakey Moor

Approval was obtained for funding of £127,000 for the acquisition of 11-13 Blakey Moor in an Officer Decision on 20/12/2019. This funding will come from the Corporate Property Investment Fund.

There has been a 12-month delay on the works on Blakey Moor Terrace due to difficulties in securing vacant possession of the properties. A request to extend the project delivery deadline in to 2021 has been submitted to National Lottery Heritage Fund. Only one Council Property Grant has been delivered to date, these delays are due to consideration of the future use of the buildings and scheme changes as a result of increased anti-social behaviour in the area. Approval is therefore requested to re-profile £2.0 million in to 2020/21.

### Bank Top and Griffin Clearance

There are some outstanding properties to be purchased in relation to this scheme, which are not expected to complete in 2019/20. Approval is therefore requested to slip £186,000 in to 2020/21.

### Growth Team Housing Schemes

Approval to slip the allocations in respect of the following on-going Growth Team Housing Schemes is requested:

<b>Scheme</b>	<b>£</b>
Equity Loans	150,000
Empty Homes Cluster	10,000
Land Release Fund	155,000
Group Repair (Inner NW/Inner SE/Darwen)	3,000
<b>TOTAL</b>	<b>318,000</b>

### 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 £673,000 in to 2020/21.

### Surface Water Remodelling

A grant has been received for local surface water mapping and modelling works. The total of this grant is £45,500 of which £26,000 is expected to be spent in 2019/20 and £19,500 in 2020/21, therefore a budget has been added to the capital programme in both years for these amounts.

### **6.1.5 Digital and Customer Services**

The following capital schemes are expected to be completed under budget; the underspend can therefore be transferred back to the Corporate ICT Earmarked Scheme:

<b>Scheme</b>	<b>Amount Transferred back to Corporate ICT Earmarked Scheme</b>
Desktop Refresh	£113,000
Protocol Mobile App Project	£41,000

### Corporate ICT Schemes - Slippage

A request is made to approve the re-profiling of the Corporate ICT schemes as listed below  
These are continuing schemes which are not expected to fully complete in 2019/20:

<b>Scheme</b>	<b>Slippage Requested</b>
Desktop Refresh	£24,000
Core Infrastructure Programme	£170,000
Ticketing System King Georges Hall	£55,000
Legal Services Case Management System	£50,000
Corporate Website	£60,000
Protocol Mobile App Project	£2,000
Replacement Unix Servers	£4,000
Town Hall IT Infrastructure Upgrade	£100,000

### **6.1.6 Finance and Governance**

#### Carbon Management Plan

There is one project within the scheme due to complete in 2019/20, for which the costs are estimated at £44,000. Therefore approval is requested to slip £70,000 in respect of this scheme in to 2020/21 for use on future carbon management capital projects.

#### Corporate DDA Work/Corporate Accommodation Strategy Phase 2

Approval is requested to transfer £169,000 from the Corporate DDA Work scheme into the Corporate Accommodation Strategy Phase 2 scheme. The Corporate Accommodation Strategy Phase 2 scheme has encountered some delays and therefore approval is requested to re-profile £340,000 from this scheme into 2020/21.

### **6.1.7 Earmarked Schemes**

#### Corporate ICT Earmarked Scheme

It is requested to slip £3.116 million from the 2019/20 in to the 2020/21 and Future Years Programme. The balance of the Corporate ICT Earmarked Schemes for the 2020/21 and Future Years Programme, will be used to support the capital costs of the ongoing digitisation of the Council's infrastructure.

## Corporate Property Investment Earmarked Scheme

Approval is required to slip £650,000 of this Earmarked Scheme allocation from the 2019/20 programme to meet the costs in future years. This will be utilised to help the Council fulfil its future growth and development plans.

### **6.2 CAPITAL RECEIPTS**

Actual capital receipts at the end of December 2019 were £1.319 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 expected to remain at current levels in the near future. This 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 £326,600 lower (reflecting lower rates),
- (c) distributions totalling £971,760 have been received in respect of the refinancing of Phase 2 of the Building Schools for the Future - Private Finance Initiative.
- (d) there will be at least £121,300 in additional Lancashire Education Partnership interest and dividends.

	<b>Original Budget</b>	<b>Current Budget Quarter 1</b>	<b>Current Budget Quarter 2</b>	<b>Movement Quarter 3</b>	<b>Current Budget Quarter 3</b>
Interest and investment income	(100,000)	(150,000)	(170,000)	(1,068,100)	(1,238,100)
Debt interest payable	12,927,900	12,802,900	12,773,300	(132,000)	12,641,300
MRP	6,731,000	6,556,000	6,526,000	-	6,526,000

<b>Total</b>	<b>19,558,900</b>	<b>19,208,900</b>	<b>19,129,300</b>	<b>(1,200,100)</b>	<b>17,929,200</b>
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The current borrowing and investment position is as follows:

	Amounts at 31/03/2019 £'000	Amounts at 30/09/2019 £'000	Amounts at 31/12/2019 £'000
Short term borrowing	41,000	37,000	42,000
Long term borrowing	156,264	152,031	152,031
Transferred debt re Local Government Re-Organisation	14,738	14,443	14,443
Recognition of debt re PFI arrangements	65,130	64,272	64,272
Investments made by the Council	24,475	16,505	18,395

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. 31<sup>st</sup> December 2019. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/19	Position at 31/12/18
<b>Council tax</b>		
Current year arrears (£000)	13,842	12,748
Previous year arrears (£000)	11,921	10,688
<b>Total Council tax arrears</b>	<b>25,763</b>	<b>23,436</b>
Collection rates	78.2%	78.8%
<b>Business rates</b>		
Current year arrears (£000)	8,988	9,059
Previous year arrears (£000)	2,495	2,540
<b>Total Business rates arrears</b>	<b>11,483</b>	<b>11,599</b>
Collection rates	80.4%	80.49%
<b>Housing Benefit</b>		
Overpayments balances (£000)	2,961	3,165

## 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:** V3.0

**CONTACT OFFICER:** Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893)

**DATE:** 29<sup>th</sup> January 2020

**BACKGROUND PAPER:** N/A