

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Chief Executive
DATE:	7 th September 2023

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2023/24 – Quarter 1 as at 30th June 2023

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2023, highlighting key issues and explaining variations in the first 3 months of the 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 total cost of the Council's capital investment programme for 2023/24 has now increased from £42.264 million, as approved by Finance Council on 27th February 2023, to £65.820 million at 30th June 2023. The net variation of £23.556 million (detailed in Appendix 2) reflects;
- An increase of £13.212 million in respect of variations to the programme following the finalisation of the outturn position for 2022/23 (slippage),
 - budget increases of £15.360 million (of which £6.018 million is funded by transfers from existing capital scheme budgets) made to reflect the approval of additional schemes since the programme was originally approved in February,
 - further variations during the first quarter of the year, for which approval is requested £1.002 million,
- b) As at 30th June 2023, the total capital expenditure across the portfolios was £1.052 million (representing 1.60% of the current, revised projected capital spend).

c) The estimated capital receipts figure expected in 2023/24 is £5.592 million; £1.038 million 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 2023-26, as approved at Finance Council on 27th February 2023.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2023/24 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2023/24 has increased by £23.556 million in the first quarter of the year. The main points to note are as follows:

6.1.1 New Approved Capital Schemes

Several capital schemes (new schemes and amendments to existing schemes) have been approved since the original capital programme was approved in February 2023, and have now been added to the current programme as follows:

Scheme	Amount £	Approved By	Date Approved
Children's and Education			
Creation of New Special School Places	£3,700,000	Executive Board	09-Feb-23
Creation of New Secondary School Places	£1,249,700	Executive Board	09-Mar-23
Variations to the Schools Capital Programme	£663,000	Executive Board	08-Jun-23
Growth and Development			
Local Transport Plan 23-24	£8,460,121	Executive Board	09-Mar-23
Blackburn Museum and Art Gallery Roof Replacement	£89,700	Executive Member	19-May-23
Levelling Up Fund 2 – Growth Axis Transport Package	£500,000	Executive Board	31-May-23
Active Travel Fund 4	157,000	Executive Member	Aug-23
Digital and Customer Services			
Procurement of new Backup Solution	£70,000	Executive Board	09-Mar-23
New Software Solution for Regulatory Services	£350,000	Executive Board	06-Jul-23
Replacement Door Access System	£120,000	Executive Member	31-Mar-23
Total	£15,359,521		

6.1.2 Adults and Prevention Services

Disabled Facilities Grant (DFG)

There has been a further DFG grant allocation of £423,000 and an additional contribution to the scheme of £140,000 from Together Housing. Approval is requested to increase the 2023/24 budget by these amounts.

Rough Sleeping Accommodation Programme

A 2023/24 allocation of £183,000 was estimated in the original programme, however, this was not correct and has been removed from the budget during this quarter. There will be a revenue contribution of £50,000 to the scheme during the year, and approval is sought to increase the budget by this amount.

Safer Streets Fund 4

Approval is sought to create a budget for the anticipated 2023/24 grant allocation of £102,300.

6.1.3 Children's Young People & Education

Schools Capital Schemes

Unallocated schools capital grant allocations are retained in an overarching Capital Allocations Fund within the capital programme until bids against this have been approved. Grant allocations for 2023/24 of £1.841 million for high needs provision and £1.317 million for schools condition funding have been added to the schools Capital Allocations Fund.

A number of other adjustments, approved in previous meetings of the Executive Board, have been made to schools capital scheme budgets and amounts have also been reallocated for the 2023/24 project management fee and contingency budget:

Scheme	Amount £
Project Management Fees	50,000
Contingency	100,000
Longshaw Nursery Relocation	423,000
Avondale Resurface Playground	25,000
Brookhouse Primary Replace Boilers	47,000
Stansfeld Centre / St Thomas Centre Refurbishment	500,000
Newfield School Remodel	2,300,000
Crosshill Grant for Additional Places	900,000
Intack Primary Boilers	68,000
Roe Lee School Fencing	100,000
QEGS reconfiguration layout expand provision	550,000
Witton Academy reconfiguration and refurbishment	650,000
St Wilfrid's Refurbish to Create Additional Classroom	50,000
Total	5,763,000
Financed by transfer from Schools Capital Allocations	(5,714,000)
Financed by transfer from Two Year Old Grant	(49,000)
Total	(5,763,000)

Any forecast overspends will be covered by a transfer from the Capital Allocations Fund.

Family Hubs Transformation

The 2023/24 capital allocation for the Family Hubs and Start for Life programme is £53,665, of which £10,822 was spent in advance in 2022/23. Approval is sought to create a budget for the remaining grant of £42,843.

6.1.4 Growth and Development

Equity Loans Fund

A capital receipt of £35,000 has been recycled back into the Equity Loans Fund, and approval is requested to increase the scheme by this value.

Integrated Transport Budget and Bus Service Improvement Fund

The current budgets for the above schemes are summarised in the table below:

Description of funding	Integrated Transport Budget £	Bus Service Improvement Fund £	Total £
2023/24 Department for Transport (DfT) allocations:			
• Integrated Transport Block	1,435,000		
• Highways Maintenance Block	1,338,000		
• Pothole Fund	1,070,000		
• Bus Service Improvement Fund		804,000	
Bus Service Improvement Fund slippage from 2022/23 known at time of report		1,209,188	
S106 funding included in report to Exec Board	2,603,933		
Total per Local Transport Plan report to Exec Board	6,446,933	2,013,188	8,460,121
Active Travel Fund (ATF) 4 Scheme	157,000		
Slippage from 2022/23:			
• Department for Transport funding	1,307,000		
• S106 funding	1,412,000		
Additional Pothole Fund allocation 2023/24	428,000		
DfT funding from previous financial years	98,000		
Adjustment to limit S106 budgets to amounts actually received to date	(2,739,228)		
Total Q1 budget to be approved	7,109,705	2,013,188	9,122,893

S106 contributions are only recognised in the budget once they have actually been received. The individual budgets for highways schemes funded using S106 contributions will be increased during the year as additional contributions are collected, and these changes will be reflected in the quarterly capital monitoring.

Levelling Up Fund (LUF) Projects

In the capital programme presented to Finance Council on 27th February 2023, total funding of £27.5 million (£20 million LUF plus £7.5 million council match funding) was included for the Town Centre LUF scheme. It was subsequently announced that Blackburn with Darwen had been successful in securing £20 million of funding for two LUF schemes, the Town Centre scheme and the Junction 5 and Growth Corridor scheme. At this stage, only £500,000 of the LUF funding for the Junction 5 scheme has been included in the budget, as detailed in the report to the Executive Board on 31st May 2023.

Blackburn Museum and Art Gallery Roof Replacement

Approval was granted by the Executive Board on 19th May 2023 to transfer £89,700 from the Corporate Property Investment budget, to cover additional costs of the Museum and Art Gallery roof replacement following the outcome of the tender process.

6.1.5 Digital and Customer Services

Transition to the Cloud

A grant of £150,000 from the Department for Levelling Up, Housing and Communities Cyber Support Team has been secured to fund the initial capital costs of this scheme. On 9th March 2023, the Executive Board approved a budget addition of this amount, and the transfer of £80,000, which had previously been earmarked to support these costs, back to the Corporate ICT budget.

Digital Flare Replacement

This scheme will implement a new software system for the Council's regulatory services. A transfer of £350,000 from the Corporate ICT budget was approved by the Executive Board on 6th July 2023.

Security Operation and Recovery Capability

A transfer of £225,000 has been made from this scheme back into the Corporate ICT budget.

Replacement Door Access System

Approval was granted by the Executive Board on 31st March 2023 to transfer £120,000 from the Asset Management Strategy budget, to cover the costs of a replacement door access system throughout the Council's buildings.

Slippage

A request is made to approve the re-profiling of the following Corporate ICT scheme budgets into 2024/25 for schemes not expected to be completed during the current financial year:

Scheme	Slippage Requested £
Digital Customer Portal	20,000
Helpdesk for Everything	188,000
Digital Customer Portal (Phase 2)	150,000
Intranet/iTrent	20,000
Digital Flare Replacement	100,000
Total	478,000

6.1.6 Earmarked Schemes

Corporate ICT

On 6th July 2023, the Executive Board approved the use of the Corporate ICT budget to refresh the supply of employee laptops across financial years 2023/24 and 2024/25.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of June 2023 were £1.038 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 Finance and Governance 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, their staff and the Council's independent treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

No long-term borrowing has been taken so far this year.

The Council's surplus cash balances are managed on a day-to-day basis in line with the Treasury Management Strategy approved by Finance Council. The Council spreads its investment risk over a number of institutions and has limits on how much can be invested in any one institution and for how long. The list of approved institutions is kept under regular review by the Treasury Management Group in conjunction with information from the Council's treasury consultants.

Both short and long-term borrowing interest rates and investment interest rates have increased over the quarter, because of increases in the Bank of England Bank Rate from 4.00% at the start of the period to 5.00% by the end.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 1 £
Interest and investment income	(1,300,000)	(1,300,000)
Debt interest payable	12,760,000	12,760,000
MRP	6,565,000	6,565,000
Total	18,025,000	18,025,000

The current borrowing and investment position is as follows:

	Amounts at 30/06/2022 £000	Amounts at 30/06/2023 £000
Short term borrowing	25,000	0
Long term borrowing	141,550	138,002
Transferred debt re Local Government Reorganisation	12,903	12,360
Recognition of debt re PFI arrangements	59,190	56,941
TOTAL BORROWING	238,643	207,303
Investments made by the Council	71,585	85,467

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 30th June 2023. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/06/2022	Position at 30/06/2023
Council tax		
Current year balance (£000)	55,304	59,194
Previous year arrears (£000)	14,480	14,703
Total Council tax balances	69,784	73,897
Collection rates	27.0%	27.1%
Business rates		
Current year balance (£000)	29,343	31,655
Previous year arrears (£000)	3,895	3,482
Total Business rates balances	33,238	35,137
Collection rates	32.3%	25.7%
Housing Benefit		
Overpayments balances (£000)	2,398	2,670

6.4 PRUDENTIAL INDICATORS

The Council measures and manages its capital expenditure, borrowing, and commercial and service investments with reference to a number of indicators. It is now a requirement of the CIPFA Prudential Code that these are reported to the Executive Board, and details will be included in the Treasury Management Report which will be on the agenda at the next meeting.

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.

This report has been prepared in accordance with both the Local Government Act 1972 (Sec 151) which states that “every local authority shall make arrangements for the proper administration of their financial affairs’ and the Local Government Act 2003 which, with its various statutory instruments, sets the legal framework within which the Council may undertake capital expenditure and empowers Councils to raise finance for capital expenditure.

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 Interim 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:	V1.0
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DATE:	August 2023
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BACKGROUND PAPER:	N/A
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