

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Strategic Director of Finance and Resources
DATE:	9 th November 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 2 as at 30th September 2023

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th September 2023, highlighting key issues and explaining variations in the first 6 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 reduced from £65.820 million, as approved by Executive Board on 7th September 2023, to £59.215 million at 30th September 2023. The net variation of £6.605 million (detailed in Appendix 2) reflects;
- budget increases of £2.050 million (of which £1.550 million is funded by transfers from existing capital scheme budgets), for which approval is requested.
 - an increase of £0.798 million in the unallocated schools capital grant budget to reflect alternative contributions to previously approved school schemes, for which approval is requested.
 - budget reductions of £0.238 million.
 - slippage and re-profiling of budgets of £7.665 million, for which approval is requested.
- b) As at 30th September 2023, the capital expenditure across the portfolios was £6.262 million (representing 10.58% of the current, revised projected capital spend).

c) The estimated capital receipts expected in 2023/24 is £5.592 million; £1.241 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 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 reduced by £6.605 million in the second quarter of the year. The main points to note are as follows:

6.1.1 Adults and Prevention Services

Disabled Facilities Grant (DFG)

It was identified that the Telecare and Children's elements of the 2023/24 DFG grant allocation, amounting to £423,000, had also been included in error on the Adults DFG line in the capital programme presented at Quarter 1. This has now been corrected. This reduction in budget has been offset by an additional DFG grant allocation for 2023/24 of £185,000.

6.1.2 Children's Young People & Education

School Capital Allocations

Unallocated schools capital grant allocations are retained in an overarching Capital Allocations Fund within the capital programme until bids against this have been approved.

Three schemes that were shown at Quarter 1 as being 100% funded by grant allocations are actually being funded by a combination of grant allocations and S106 contributions, as shown in the table below. The funding split has been adjusted for Quarter 2, and the Capital Allocations Fund has been increased to reflect this.

Scheme	Grants £	S106 £	Total £
QEGS reconfiguration layout expand provision	330,000	220,000	550,000
Witton Academy reconfiguration and refurbishment	389,900	260,100	650,000
St Wilfrid's Refurbish to Create Additional Classroom	30,100	19,900	50,000
Total	750,000	500,000	1,250,000

There has been a further increase in the Capital Allocations Fund of £297,700 to reflect the amount of schools' Devolved Formula Capital (DFC) funding that has been used to fund school capital schemes (rather than Local Authority grant allocations).

Any forecast overspends on school schemes will be covered by a transfer from the School Capital Allocations Fund.

6.1.3 Growth and Development

Neighbourhood Intervention

Capital receipts of £105,500 have been recycled back into the Neighbourhood Intervention Fund, and approval is requested to increase the scheme by this value.

Equity Loans

Capital receipts of £12,000 have been recycled back into the Equity Loans Fund, and approval is requested to increase the scheme by this value.

UK Shared Prosperity Fund

Approval is sought to create a budget for the anticipated 2023/24 grant allocation of £382,000.

Imperial Mill

£850,000 has been transferred from the Corporate Property Investment budget representing funds earmarked for the purchase of Imperial Mill, which was finalised during Quarter 2.

Slippage

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

Scheme	Slippage Requested £
Bank Top and Griffin Clearance	100,000
Neighbourhood Intervention Fund	500,000
Equity Loans	230,000
Empty Homes Cluster	350,000
Other Acquisition costs	10,000
Development Investment Fund	500,000
Land Release Fund	730,000
St Johns Refurbishment	1,000,000
Griffin Lodge /Coach House	275,000
Blackburn Town Centre Highways & Public Realm Works	1,750,000
Levelling Up (LUF) Projects - Town Centre	1,500,000
	6,945,000

Blackburn Town Centre Highways & Public Realm Works

The Town Centre Development scheme involving the relocation of Morrisons to the former Thwaites site has not progressed as quickly as planned due to the challenging economic background now facing developments. A planning application for the new store and redevelopment of the existing store and multi-storey car park is on plan to be submitted by the end of the year with a start on site late 2024. The Council is working with partners to re-profile capital commitments required to fund improvements to infrastructure, acquisitions and wider site enabling works.

Levelling Up (LUF) Projects - Town Centre

The Council is working with DLUHC and education partners to reassess the viability of the new Skills & Education campus as a result of the economic challenges, causing higher costs and interest rates. This has resulted in a re-profile of the scheme and capital requirements with works now expected to start on site in 2025.

6.1.4 Digital and Customer Services

New Laptop Refresh

As approved by the Executive Board on the 6th July 2023, £700,000 has been transferred from the Corporate ICT budget to refresh the supply of employee laptops during the year.

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 £
Core Infrastructure Programme	70,000
Microsoft 365 and Unified Comms	350,000
Core Network Upgrade	200,000
Digital Flare Replacement	100,000
	720,000

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of September 2023 were £1.241 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. 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 Strategic Director of Finance and Resources, 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 the Executive Board. 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, this is due to a number of factors including global issues and increases in the Bank of England Bank Rate from 5.00% at the start of the period to 5.25% by the end.

Changes to the income and debt repayment revenue budget forecasts are as follows:

- Interest and investment income is now forecast to be £1.224 million higher than the original budget. This is due to increasing interest rates, and the level of the Council's investment balances which has been very high during the first half of the year due to grants received in advance from central government, including in respect of the Darwen Town Deal and Levelling-Up schemes.
- Debt interest payable is forecast to be £1.073 million lower than the original budget, because the Council does not expect to need to take any new borrowing during the year.
- MRP is forecast to be £0.203 million lower than the original budget due to reduced capital spend being incurred in the previous year.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 2 £	Movement £
Interest and investment income	(1,300,000)	(1,300,000)	(1,224,000)
Debt interest payable	12,760,000	12,760,000	(1,073,000)
MRP	6,565,000	6,565,000	(203,000)
Total	18,025,000	18,025,000	(2,500,000)

The current borrowing and investment position is as follows:

	Amounts at 30/09/2022 £000	Amounts at 30/09/2023 £000
Short term borrowing	10,000	0
Long term borrowing	139,776	136,228
Transferred debt re Local Government Reorganisation	13,039	12,224
Recognition of debt re PFI arrangements	58,635	56,356
TOTAL BORROWING	221,450	204,808
Investments made by the Council	57,936	89,867

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

	Position at 30/09/2022	Position at 30/09/2023
Council tax		
Current year balance (£000)	35,482	39,077
Previous year arrears (£000)	13,575	13,968
Total Council tax balances	49,057	53,045
Collection rates	53.1%	51.72%
Business rates		
Current year balance (£000)	17,028	31,655
Previous year arrears (£000)	3,536	3,271
Total Business rates balances	20,564	34,926
Collection rates	60.7%	51.17%
Housing Benefit		
Overpayments balances (£000)	2,243	2,565

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 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:	October 2023
BACKGROUND PAPER:	N/A