

EXECUTIVE BOARD DECISION



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Strategic Director Finance and Resources

DATE: 14th November 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Corporate Capital Programme and Balance Sheet Monitoring 2024/25 – Quarter 2 (as at 30th September 2024)

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide the Executive Board with an update on the Council's Capital Programme for 2024/25 based on a budget monitoring exercise undertaken at the end of September 2024 (Quarter 2).

2. RECOMMENDATIONS

2.1 It is recommended that Executive Board:-

- a) note the forecast outturn on the Council's Capital Programme based on the Quarter 2 Budget Monitoring exercise
- b) give approval to the revised Capital Programme as per Appendix 1 and to the variations to the Programme as set out in the report and as shown at Appendix 2.

3. BACKGROUND

3.1 In accordance with the Council's Financial Procedure Rules, all Portfolios are required to examine their Capital Programme position monthly. Quarterly reports are submitted to the Executive Board for review and action as necessary along with a final report, detailing the financial outturn for the year.

4. RATIONALE

4.1 The development of the Capital Programme is a key element of the Council's financial governance processes. The requirement for the Council to monitor its budget during the year is set out in s28 of the Local Government Act 2003 with s28(3) requiring the Council to act, as it considers necessary, if there has been a deterioration in its financial position.

5. KEY ISSUES

Summary

- 5.1 At the meeting of Finance Council on 26th February 2024, the Council agreed the Capital Programme for 2024/25.
- 5.2 The total cost of the Council's capital investment programme for 2024/25 has reduced from £112.911 million, as approved by Executive Board on 8th August 2024, to £111.292 million at 30th September 2024. The net variation of £1.619 million (detailed in Appendix 2) reflects:
- Budget increases of £3.366 million (of which £1.114 million has already been approved);
 - Slippage of £4.985 million (£1.745 million grant funding and £3.250 million Revenue Contribution) into 2025/26 relating to Schools schemes, for which approval is requested.
- 5.3 As at 30th September 2024, the total capital expenditure across the portfolios was £11.751 million (representing 10.56% of the current, revised projected capital spend).
- 5.4 The estimated capital receipts figure expected in 2024/25 is £3.484 million; £1.506 million has been received in the first six months of the year.

Capital Programme Variations

- 5.5 The variations in actual spend and resource availability for 2024/25 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.
- 5.6 The capital programme for 2024/25 has reduced by £1.619 million in the second quarter of the year. The main points to note are as follows:

New Approved Capital Schemes

- 5.7 Two new capital schemes have been approved during the quarter, and have now been added to the current programme as follows:

Table 1: New Approved Capital Schemes

Scheme	Amount £	Approved By	Date Approved
Growth and Development			
Traffic Signal Obsolescence	555,200	Executive Board	11-Jul-24
Digital and Customer Service			
Replacement Planning, Land Charges and Building Control Software	559,000	Executive Board	11-Jul-24
Total	1,114,200		

Children's, Young People & Education

Schools Capital Schemes

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

Shadsworth Juniors Replacement of Boiler

- 5.9 It was identified during the quarter that this scheme had been duplicated later in the capital programme. The £40,000 scheme budget has therefore been transferred back to the schools Capital Allocations Fund.

Brookhouse MUGA Pitch Repairs

- 5.10 This scheme has been completed. The unspent budget of £11,000 has therefore been transferred back to the schools Capital Allocations Fund during the quarter.

Slippage

- 5.11 A request is made to approve the re-profiling of the following Schools schemes into 2025/26 for schemes not expected to be completed during the current financial year:

Table 2: Schools Scheme Slippage

Scheme	Amount £
Slippage:	
St Barnabas & St Pauls	135,000
Darwen East School Places increase (Revenue Contribution)	3,250,000
Audley Inf & Jnr Replace windows & upstands to lean to roof	150,000
Longshaw Juniors Replace Fire Alarm System	40,000
Roe Lee Roofing, Upstanding & Windows	187,000
Stansfeld Centre / St Thomas Centre Refurbishment	600,000
Audley Infant Culvert Works	20,000
Audley Junior Ventilation & Heating works	10,000
Belmont Reslate Roof inc Lead work to valleys & bell tower	33,000
Daisyfield Replace External Doors	15,000
Daisyfield SEND Works DDA Compliance	33,000
Lower Darwen Send Works DDA Compliance	40,000
Lower Darwen Fire Risk Assessment Works	25,000
Lower Darwen Perimeter Fencing Repair/Replace	10,000
Meadowhead Infant Replace External Rubber Flooring	10,000
Meadowhead Junior Replace Floor Covering to Hall	7,000
Meadowhead Junior Fire Risk Assessment Ceiling Works	20,000
Ashleigh Heating and windows	18,000
Avondale Remodel of toilets Lower KS2	32,000
Avondale Remodel of toilets Upper KS2	32,000
Intack Heating controls	30,000
Lammack Car park lighting	15,000
Longshaw Juniors Convert oil fired boilers to gas	60,000
Meadowhead Infants Emergency lighting in Nursery class	10,000
Newfield New surface drainage	25,000
St Michael With St John CE Primary New boiler	60,000
St Thomas CE Fencing	40,000
St Thomas Centre / PRU Roofing	78,000
Total	4,985,000

- 5.12 Any forecast overspends across school schemes will need to be covered by a transfer from the Capital Allocations Fund.

Environment and Communities

Replacement Bins

- 5.13 Approval is sought to transfer £150,000 from the Asset Management Strategy line to create a budget to replace the bins in the borough that have come to the end of their useful life.

Automatic Bollards Town Centre Security

- 5.14 Approval is sought to transfer £74,100 from the Asset Management Strategy line to create a budget to deliver an enhanced repair and maintenance programme in respect of the automatic bollards in the town centre. Work to improve the current system is urgently needed to maintain town centre security and a safe environment for pedestrians.

Fly-Tipping Intervention Grant

- 5.15 During the quarter a capital grant of £17,986 was awarded to the Council from the Department for Environment, Food and Rural Affairs (DEFRA). The purpose of the grant is to provide support to local authorities towards expenditure incurred to implement interventions aimed at tackling fly-tipping. The funding will be spent on CCTV. Approval is requested to create a budget for this scheme.

Housing and Public Health

Safer Streets Fund

- 5.16 Additional funding of £147,100 has been awarded by the Home Office for this scheme during the quarter, and approval is therefore requested to increase the budget by this amount.

Growth and Development

Integrated Transport Budget and Bus Service Improvement Fund

- 5.17 Approval requested for budget changes to the schemes are summarised in the table below:

Table 3: ITB and Bus Service Improvement Fund

Description of funding	Integrated Transport Budget £	Bus Service Improvement Fund £	Total £
Additional Contribution from Revenue		153,000	153,000
Bus Service Improvement Fund – additional funding 2024/25		503,000	503,000
S106 – additional funding 2024/25	1,447,000		1,447,000
Total Q2 budget change to be approved	1,447,000	656,000	2,103,000

- 5.18 S106 contributions are only recognised in the budget once they have 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.

UK Shared Prosperity Fund

- 5.19 During the quarter a capital grant of £876,975 was awarded to the Council from the UK Shared Prosperity Fund. A separate report will be presented to the Executive Board during Quarter 3 outlining how the grant will be spent, and requesting approval to create a budget for the scheme within the capital programme. Expenditure of £75,335 has been incurred during the current quarter, and is showing as a scheme overspend pending the publication of the report.

Fleece Inn

- 5.20 During the quarter the Council received insurance monies of £84,353 in respect of The Fleece Inn. These funds will be used towards the demolition of the building as part of the Masterplan for the town centre area, and approval is therefore sought to increase the Blackburn Town Centre budget by this amount.

Traffic Signal Obsolescence

- 5.21 Approval was granted at the Executive Board on 11th July 2024 to add DfT Traffic Signals Obsolescence Grant funding of £555,185, awarded to the Council for 2024/25, to the capital programme.

Darwen Resource Centre - Service Relocation and Disposal

- 5.22 Approval is requested to transfer £150,000 from the Development Investment Fund to create a scheme for planned works at Darwen Resource Centre. The Council staff currently based at the Resource Centre will be relocated to Darwen Town Hall which will be refurbished to facilitate the move, and Darwen Resource Centre will subsequently be marketed for disposal.

Digital and Customer Services

Replacement Planning, Land Charges and Building Control Software

- 5.23 Approval was granted by the Executive Board on 11th July 2024 to create a budget of £559,000 for the above scheme, via a transfer of £459,000 from the digital transformation reserve, plus a revenue contribution of £100,000.

Capital Receipts

- 5.24 Actual capital receipts at the end of September 2024 were £1.506 million. All these receipts will be utilised in support of the Minimum Revenue Provision.

Balance Sheet Position

Overview

- 5.25 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.

Non-current Assets

- 5.26 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.

Borrowing and Investments

- 5.27 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.
- 5.28 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.
- 5.29 Both short and long-term borrowing interest rates and investment interest rates have decreased slightly over the quarter, following a reduction in the Bank of England (BoE) rate. The BoE rate was cut in August 2024 by 0.25% and is currently 5.00%.

Table 4: Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 2 £
Interest and investment income	(2,990,000)	(4,560,000)
Debt interest payable	11,895,000	11,390,000
MRP	6,638,000	6,378,000
Total	15,543,000	13,208,000

- 5.30 The current borrowing and investment position is as follows:

Table 5: Borrowing

	Amounts at 30/09/2023 £000	Amounts at 30/09/2024 £000
Short term borrowing	0	0
Long term borrowing	136,228	120,039
Transferred debt re Local Government Reorganisation	12,224	11,681
Recognition of debt re PFI arrangements	56,356	53,755
TOTAL BORROWING	204,808	185,475
Investments made by the Council	89,867	111,660

- 5.31 The totals include the debt recognised on the balance sheet because 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).

Debtors

- 5.32 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 2024. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/09/2023	Position at 30/09/2024
Council tax		
Current year balance (£000)	39,077	42,024
Previous year arrears (£000)	13,968	13,843
Total Council tax balances	39,077	55,867
Collection rates	51.72%	51.97%
Business rates		
Current year balance (£000)	31,655	21,356
Previous year arrears (£000)	3,271	2,466
Total Business rates balances	34,926	23,822
Collection rates	51.17%	53.63%
Housing Benefit		
Overpayments balances (£000)	2,565	2,375
Provision for Doubtful Debts (£000)	(2,565)	(2,375)
Sundry Debtors		
Sundry Debtor balances (£000)	11,248	13,473
Provision for Doubtful Debts (£000)	(4,690)	(6,198)

6. POLICY IMPLICATIONS

6.1 There are no policy implications arising directly from this report.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are generally as given in the report.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications arising directly from the contents of this report.

9. RESOURCE IMPLICATIONS

9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 There are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 None arising from the contents of this report.

12. STATEMENT OF COMPLIANCE

12.1 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.

Appendices

Appendix 1 – Capital Programme Quarter 2 Summary

Appendix 2 – Capital Programme Quarter 2 Detailed Scheme Analysis

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DATE:	November 2024
BACKGROUND PAPERS:	None