

Appendix B

The County Council's Capital Financial Position

2023/24 Quarter 2



Capital Programme Monitoring – October 2023

1. Introduction

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed at the Full Council budget meeting. This delivery programme figure was revisited following confirmation of the final 2022/23 slipped delivery figures and along with subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £156.713m. This figure will form the basis of the capital programme monitoring throughout the rest of the financial year.

The delivery programme is shown in section 2 split by block. The delivery programme has been agreed with service heads and corresponds to the additional monies requested through the February 2023 budget setting process as well as reflecting current issues around the delivery of large-scale projects.

This year the teams responsible for capital delivery are on track to deliver:

- Improvement works to over 100 schools including some large-scale expansions to build additional capacity.
- Improvement works to the value of £45m on the county's highways network on highways, footpaths street lighting and bridges including flood prevention and repair work.
- Investment in new roads and improved junctions as well as increasing safer travel routes, road safety schemes and increasing access to active travel routes including cycle routes throughout the county.
- Improvements to Bus services through provision of new bus stops and laybys including increasing accessibility at bus stops to allow inclusive travel access.
- Investment in projects aimed at the economic regeneration of the county and increasing employment opportunities.
- Investment in replacing the county's fleet of vehicles looking to lower emissions where possible with the use of electric vehicles and charging points.
- Improvements in the county's building assets which include office bases and service delivery buildings but also older peoples and children's homes.
- Works funded by housing developers to mitigate the impact of their development and to allow for sustainable housing provision in the county.

The project and programme managers will be held accountable to continue to be on track to deliver their forecast outputs using the following actions:

- Detailed monitoring of the delivery programme throughout 2023/24 to ensure variances are reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track
- Use of the budgetary control facilities in the new Oracle Fusion system.
- Monitoring of projects to measure the on-going effect of price increases between project design and project delivery.
- Performance reports developed to enable the capital board to undertake this monitoring and challenge.

2. Delivery Programme

Table 1 – 2023/24 Capital delivery programme by block

Service Area	Delivery Programme agreed Feb 23	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m
Schools (including DFC)	29.602	-0.953	28.649
Highways	48.650	-2.995	45.655
Transport	22.001	-3.363	18.638
Externally Funded Schemes	0.934	3.110	4.044
Central Systems & ICT	6.555	-0.543	6.012
Adult Social Care	16.715	1.459	18.174
Corporate - Property	18.500	-8.725	9.775
Economic Development	77.250	-64.566	12.684
East Lancs Levelling Up Fund	0.000	6.783	6.783
Vehicles	4.500	-1.201	3.299
Transforming Cities Fund	15.152	-12.152	3.000
Grand Total	239.859	-83.146	156.713

The current delivery programme has been set and is made up of the Cabinet agreed 2023/24 budget and an expected delivery amount for prior year schemes. The total delivery programme is £156.713m. The forecast spend for 2023/24 is £157.666m, giving a variance against the delivery programme of £0.953m, c0.60%. The variance is primarily the result of a small amount of earlier than planned delivery on agreed schemes and not overspends on projects. Table 2 shows the delivery plan and forecast spend by block and a detailed narrative by block is provided in section 4.

3. Delivery Programme

Table 2 – 2023/24 Capital outturn forecast by block

Service Area	Total delivery programme for 2023/24	Spend to date	Total Forecast spend	Forecast Variance
	£m	£m	£m	£m
Schools (exc DFC)	26.340	17.570	28.426	2.086
Schools DFC	2.309	0.000	3.309	1.000
Highways	45.655	26.523	43.642	-2.013
Transport	18.638	11.096	17.267	-1.371
Externally Funded	4.044	2.261	4.011	-0.033
Central Systems & ICT	6.012	4.269	5.386	-0.626
Adults Social Care	18.174	18.174	18.174	0.000
Corporate - Property	9.775	4.102	9.567	-0.208
Economic Development	12.684	5.499	10.806	-1.878
East Lancs Levelling Up Fund	6.783	0.498	6.783	0.000
Vehicles	3.299	1.301	2.148	-1.151
Transforming Cities	3.000	3.647	8.147	5.147
Totals	156.713	94.940	157.666	0.953

The forecast outturn spend for 2023/24 is £157.666m and funded from a combination of borrowing (£39.855m), Grants (£110.067m) and Contributions (£7.744m).

A more detailed narrative on the key items making up the variances by block can be found below in section 4 of the report.

4. Detailed Narrative

The forecast outturn variances by block from the budget for delivery in 2023/24, with comments by programme or significant project are as follows:

Schools (including Devolved Formula Capital (DFC))

The Schools capital programme (including DFC) has a 2023/24 delivery plan of £28.649m. Forecast outturn as of October 2023 is £31.735m, a variance of £3.086m.

A summary of the programmes within the Schools block is given below.

Basic Need Programme

The purpose of the basic need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects. There is an expectation of high delivery across basic need schemes in 2023/24, with the majority of projects progressing well. A conservative delivery plan was entered, with a contingency amount moved into next year, and so there is a risk of additional delivery across a number of projects.

Works have continued into this year on a new primary school commissioned to be built at the former Higher Standen site in Clitheroe. The new school opened to schedule in September 2023, with the project now in the defects liability period. This project has progressed well, resulting in a forecasted additional delivery variance of £0.431m. The expansion at Colne Primet academy is also due for completion within this financial year. This has resulted in an additional delivery variance of £1.058m. If this project manages to complete without delay, the additional delivery variance may increase to £1.751m. The construction works at Broughton-in-Amounderness CE primary school have completed and the project is now in the defects period, this is ahead of the conservative delivery estimate and so has an additional delivery variance of £0.498m. Works at Clitheroe Bowland high school are due to complete on time, with the contractor scheduled to erect steelwork at the school in November. The main risk to this project is the weather, which could result in the required crane being unable to operate.

There are two 2023/24 commissioned projects still working through early design and tender approval phases. Of these basic need feasibility projects, there is a forecasted slipped delivery variance of -£0.724m. There has been a delay in the feasibility works at Lea community primary school as planning consent is required, which has pushed back planned commencement from October 2023 to a target of January 2024. Works at Longridge high school are also delayed with the latest planning due to go to committee in December 2023 with works to start on site in January 2024, resulting in a slipped delivery variance of -£0.400m.

Condition Programme

The condition programme delivers a variety of grant funded works to address priority condition issues at school buildings. Due to the push on basic need schemes this financial year, there has been a reduced forecast on the delivery of school condition projects in year.

Work on condition projects is mostly undertaken during periods of school closure at termly breaks. Many projects progressed well over the summer, however with few school breaks remaining and the risk of adverse weather over the winter period, there is an overall forecasted slipped delivery variance of -£0.201m. Planned delivery is liable to change once contractors are engaged and work timetables agreed or when projects get to site, and unforeseen issues are exposed.

Roof replacement works at Morecambe Sandylands primary school are expected to incur a saving of -£0.417m. The project is currently in the defects stage with costs yet to be finalised.

A recent discovery that reinforced autoclaved aerated concrete (RAAC) can become crumbly over time and prone to collapse has resulted in urgent RAAC specialist surveys to be conducted in schools. A project has been set up to cover RAAC surveys for schools in Lancashire with a primary budget of £0.020m. There is a potential risk that results of the surveys may show urgent work required in schools, which could cause significant impact on the delivery plan.

Devolved Formula Capital (DFC)

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools on a formula basis by the DfE in order for schools to spend on capital projects within expenditure guidelines. The DFC 2023/24 allocation has been passed onto schools, with spend in line exceeding the delivery plan, and a forecasted £1.000m additional delivery variance.

Highways

The Highways capital programme has a 2023/24 delivery plan of £45.655m. Forecast outturn as of October 2023 is £43.642m, a variance of -£2.013m

Delivery of the Highways programme is progressing well, in-particular the rural programme where we are forecasting additional delivery of £0.340m. Within the traffic signal programme additional prior year schemes have been delivered following a change of contractor.

Works within the 2023/24 moss road programme are yet to be programmed and it is unlikely that this work will be done over the autumn and winter months due to the ground conditions. This is forecast to cause a slipped delivery variance of -£0.350m.

The 2023/24 footway slurry seal programme is now forecast to be delivered in 2024/25 due to contractor availability, this forecasts slipped delivery at -£0.486m.

Four schemes in the walking and cycling programme have operational delays due to having to obtain consent from the Environment Agency and also complications with landowners, slipping -£0.237m into future years.

Issues with the tender have caused a delay to works on the vehicle restraint barriers programme causing -£0.234m of delivery forecast to slip into 2024/25.

A review of how bridge inspections are carried out has led to a pause in work being commissioned, resulting in slippage of -£0.400m.

Within the storm damage programme slippage of -£0.500m is forecast across 3 schemes whilst drainage solutions and permissions are obtained. Works at Ackhurst Lodge are to be reprogrammed to 2024/25 as the opportunity to work in the river has passed, exploratory works at Bank Brow have been completed but construction works are awaiting a drainage solution. Work at Rams Clough culvert is awaiting the design to be finalised.

There are risks to the delivery across the whole programme, the increases in the cost of living is still affecting the service. Structural defect numbers remain high, the costs of which are being closely monitored. The weather is also a risk, the uncertainty over weather forecasting means planning and budgeting for certain programmes is difficult, but it also impacts on road repairs as certain types of treatment can only be done within specific temperature ranges.

Transport

The Transport capital programme has a 2023/24 delivery plan of £18.638m. Forecast outturn as of October 2023 is £17.267m, a variance of -£1.371m.

The safer roads schemes programme will see the installation of average speed cameras on five classified dangerous A roads in Lancashire. In partnership with Jenopitk, the highways teams have made excellent progress and it is expected that several of the cameras will be in use this year including those on the A581 and A588, testing permitting, ahead of schedule. This creates a forecast creating additional delivery variance of £0.343m.

A joint programme with West Lancs CC and Historic England to create the Ormskirk eastern gateway is almost complete with the 2023/24 delivery plan figure of £1.281m forecast to be spent in year which would then leave the remaining budget for the programme to cover retention fee payments in 2024/25.

In May 2023 the active travel programme was awarded a further £5.500m due to the successes to date and the quality of future plans, but it is anticipated the majority of this funding will be utilised in 2024/25. The 2023/24 delivery plan for the programme has a forecast additional delivery variance of £0.318m due to the better than expected delivery on the Sandylands Morecambe scheme.

The bus service improvement plan programme will aim to create more bus priority measures, better quality information for all passengers in more places and improved frequencies of service including evenings and weekends. A budget of £1.400m was included in the 2023/24 delivery plan, but the programme has a forecast slippage variance of -£0.464m as a number of schemes are still waiting to progress beyond the advertisement/public engagement phase.

The M55 link road programme is designed to improve links between the motorway network and the Lytham St Annes area and is now forecast to open in the first quarter of 2024/25. The new dual carriageway will relieve congestion upon the current smaller

routes in addition to supporting both the area's tourism and Blackpool airport enterprise zone. £6.000m has been included for the 2023/24 delivery plan to move on from earthworks to construction with the residual funding to be required in 2024/25 and expenditure continues to be in line with that forecast.

Externally Funded

The externally funded capital programme has a 2023/24 delivery plan of £4.044m. Forecast outturn as of October 2023 is £4.011m, a variance of -£0.033m.

The UCLAN masterplan is a project which is set to remodel the Adelphi roundabout area to accommodate a new large public square and a change to the junctions which includes the removal of the traffic signals. It is currently forecasting spend of £0.371m which is in line with the 2023/24 delivery plan. The project is now complete on site and all costs have been committed. It is planned that the project will be closed by the end of the 2023/24 financial year.

The section 278 Burnley 'town2turf' project is set to improve pedestrian access from Burnley town centre to Burnley football club area. It is currently in the construction stage and is estimated to complete in July 2024. The scheme is currently forecast to spend £2.202m in 2023/24 in line with the delivery plan, however it has been noted that it is likely to see an increase to the overall budget in order to complete in 2024/25.

The section 278 funding for the 'town2turf' public realm project has been created to assist the Burnley 'town2turf' project. It is forecasted to spend the agreed 2023/24 delivery budget of £0.239m; however, it has been noted that there could be a small risk of overspend due to limited scope of works.

Central Systems and ICT

The central systems and ICT capital programme has a 2023/24 delivery plan of £6.012m. Forecast outturn as of October 2023 is £5.386m, a variance of -£0.626m

The Oracle fusion programme is now live, and the installation work formally closed. Future operations will concentrate on maintenance and continuous improvement and will be recognised as business-as-usual revenue expenditure. The payments to suppliers up to the close down of the capital project have been on budget for this year. No further payments are expected on the capital project.

The project to upgrade the document handling service hardware, required as the previous system was no longer supported, is now completed, and utilised the full £0.031m budget for 2023/24. The on-going project to upgrade the associated software has a delivery plan of £0.186m and it is forecast that this will also be used in full in completing the work this year.

It is now forecast that the social care reform project to upgrade the Lancashire patient records system will progress in collaboration with the NHS to improve sharing of information. A delivery budget of £0.441m was included for 2023/24 although it is expected that -£0.220m will slip into next year for the final completion.

The works on the customer contact centre system have been completed using the full delivery budget of £0.147m whilst it is anticipated the delivery of the replacement of the Genesys telephony platform will partially slip into 2024/25 causing a slipped delivery variance of -£0.399m.

Adults Social Care (ACS)

The ACS capital programme has a 2023/24 delivery plan of £18.174m. Forecast outturn as of October 2023 is £18.174m, a variance of £0.000m.

The disabled facilities grant (DFG) is capital funding for the provision of home adaptations to help older and disabled people to live as independently and safely as possible in their homes. An initial allocation of £16.715m was received for the year from the department for levelling up, housing and communities (DLUHC), however an additional £1.459m allocation was received from DLUHC in August 2023 increasing the full year allocation to £18.174m. The full amount for the DFG has now been fully passported to district councils to distribute.

Corporate – Property

The corporate property capital programme has a 2023/24 delivery plan of £9.775m. Forecast outturn as of October 2023 is £9.567m, a variance of -£0.208m.

The Bowgreave rise residential care home project proposes to increase affordable extra care schemes for older people in addition to supported housing apartments for younger adults with disabilities. The construction has now come to an end and the property is currently being utilised. The forecasted spend of £0.933m is in line with the 2023/24 delivery plan. The project is due to complete this financial year.

The 3rd floor construction works at County Hall has now completed on time. The project has a forecasted underspend of -£0.060. It is on track to close within this financial year.

The general condition works which sits within the homes for older people programme includes the fittings of medical alerting systems within 15 buildings. The project is currently forecasting slippage of -£0.113m into 2024/25 as it is currently in the construction stage and delayed completion is now due in spring 2025.

The 'where our children live' scheme has an overall slipped delivery of -£0.664m. Whilst the original work was scheduled to commence in 2023/24 it is forecast that the majority of the spend will now fall into 2024/25 following a review of the deliverability of the programme.

Economic Development

The economic development capital programme has a 2023/24 delivery plan of £12.684m. Forecast outturn as of October 2023 is £10.806m, a variance of -£1.878m.

Samlesbury Enterprise Zone will be a national centre of excellence for advanced engineering and manufacturing related companies. Work is continuing into 2023/24 with works on zone B and C earthworks now progressing, expected to run from August 2023 to May 2024. This has been made possible following the removal of the remaining 4,500 tonnes of coal tar, which is to be treated and recycled for use on the Heyhouses M55 project. Work on zone D and the creation of access to plot 9 is also now approved and commenced at the end of September. The majority of the work is likely to take place in quarters 3 and 4 of 2023/24, but slippage of -£0.964m is forecast for part of the work to now fall into 2024/25.

The grant funded low carbon investment projects has a delivery plan of £0.463m as work progresses to identify energy savings options in council buildings, including White Cross and Lancashire business parks. Works will also include the early implementation of low carbon technologies as examples at key development sites including Lancashire Central and Samlesbury enterprise zone. The projects currently remain at the planning stage and due to this -£0.232m of slipped delivery has been forecast and expected to be utilised in 2024/25.

The Farrington programme which in partnership with Lancashire cricket club will see the site host a number of county level cricket matches and become the centre of excellence for women's cricket in Lancashire. Whilst final approval is awaited a delivery budget of £1.702m has been approved to undertake further necessary planning and the initial site clearance. Actuals to date are £1.014m, the forecast remains unchanged at this point but with the provision that further work will commence as soon as there is approval for the planning application.

Revised plans have been submitted for the Lancashire Central site at Cuerden in conjunction with Maple Grove Developments which will include commercial and housing areas on the site. The programme has a forecast slipped delivery variance of -£0.564m due to the delayed commencement and it is forecast that the programme will require significant increases in funding in 2024/25 as works progress to begin construction.

The annual contribution to the City Deal has been completed but those to Brierfield mill, Lomeshaye industrial estate and Eden North are now forecast to be required in 2024/25 creating combined slippage of -£0.633m.

Vehicles

The vehicles capital programme has a 2023/24 delivery plan of £3.299m. Forecast outturn as of October 2023 is £2.148m, a variance of -£1.151m.

Slippage of -£1.151m has been forecast within the vehicle replacement programme, largely due to procurement issues for electric fleet vehicles and manufacturing delays for the 10 Renault master minibuses on order.

Substantial orders totalling £5.903m are expected to be placed throughout the remainder of 2023/24 with anticipated vehicle delivery in 2024/25.

The delivery plans for 2023/24 onwards will continue to deliver LCC's vehicle replacement strategy to ensure that all LCC owned vehicles are fit for purpose and repaired or replaced at the most cost-effective time.

East Lancashire levelling up fund (East Lancs LUF)

The East Lancs LUF capital programme has a 2023/24 delivery plan of £6.783m. Forecast outturn as of October 2023 is £6.783m, a variance of £0.000m.

The East Lancs LUF is a programme of works agreed in March 2023 as part of a successful bid to the national levelling up programme. Work in 2023/24 will be focused on the design development and case-making work as agreed with the Department for Levelling Up, Housing and Communities (DLUHC), with a full business case (FBC). The budget for this work is set to complete spend in January 2024 as forecasted, with the FBC set to be submitted in January and approved by Department for Transport (DfT) in the spring. Once approved this will allow the release of the delivery funding for the wider programme of c£50.000m in later years as expected and these substantial works to East Lancashire will be delivered in full by 2027.

Transforming Cities Fund (TCF)

The TCF capital programme has a 2023/24 delivery plan of £3.000m. Forecast outturn as of October 2023 is £8.147m, a variance of £5.147m.

There has been confirmation of support from the DfT to fund the development of the full business case for Cottam Parkway project so work is forecasted to accelerate on this project from quarter 3 onwards. There is no agreement yet on the funding of the full delivery of this project due to the timescales anticipated for delivery no longer being co terminus with TCF programme and discussions with Dft around this will continue.

Discussions are also ongoing with the DfT regarding whether the delivery of the technology package can be achieved. Costs on the whole of the TCF project have materially increased since the original business case was presented, largely due to pressures caused by external price increases.

The transforming ringway scheme in Preston is due for completion in 2023/24.