

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Cabinet	15 <sup>th</sup> September 2021

Is this report confidential?	No
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Is this decision key?	Yes
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<b>Savings or expenditure amounting to greater than £100,000</b>	<b>Significant impact on 2 or more council wards</b>
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## 2021/22 Corporate Capital Programme and Balance Sheet Monitoring Report – position as at 31st July 2021

### Purpose of the Report

1. This report outlines the overall financial position of the Council in respect of the capital programme as at 31<sup>st</sup> July 2021, highlighting key issues and explaining key variances over the first 4 months of the year, and provides an overview of various elements of the Council's Balance Sheet as at 31<sup>st</sup> July 2021.

### Recommendations to Cabinet

2. To approve the revised capital programme as attached at **Appendix A** which reflects all amendments to the programme that have been approved in the 4 months to 31<sup>st</sup> July 2021, as detailed in paragraph 11.
3. To approve the following variation to the programme, which has been included in **Appendix B**.

- a) £130k increase to the vehicle replacement programme

All other approvals are within existing delegated limits as detailed in paragraph 11.

4. To note the position in the Balance Sheet Monitoring section of the report in respect of cash, investment and loan balances, and debtors as at 31<sup>st</sup> July 2021.

### Reasons for Recommendations

5. To ensure the Council's Capital Programme is monitored effectively.

## Alternative Options Considered and Rejected

6. None

### Corporate priorities

7. The report relates to the following corporate priorities:

<b>An exemplary council</b>	<b>Thriving communities</b>
<b>A fair local economy that works for everyone</b>	<b>Good homes, green spaces, healthy places</b>

### Background

8. The capital budget for 2021/22 was set at £15.814m in February 2021. It was increased following approval of the outturn to £21.380m.

### Section A: Capital Programme

#### Key Issues

9. The total cost of the Council's capital investment programme for 2021/22 has increased from £21.380m, as approved by Cabinet in the 2020/21 Capital Outturn Report on 16th June 2021, to £22.081m at 31<sup>st</sup> July 2021; this includes the variations noted in this report. A summary of the total costs of the programme, and the funding of this, is detailed at **Appendix A**.
10. The net variation of £0.701m is detailed by scheme in **Appendix B**. The net variation includes three types of changes; those variations approved since the previous budget report, i.e. the 2020/21 Capital Outturn report, variations requested in this report at point 3, and variations in respect of the reprofiling of budgets within the existing programme.
11. Budget variations approved in the first four months of the year are shown in the table below and resulted in an increase of £0.790m to the capital programme.

Scheme	Increase / (Reduction) 2021/22 £'000	Increase / (Reduction) 2022/23 £'000	Approved by	Date approved
<b>Good homes, green spaces and healthy places</b>				
Green Infrastructure unallocated	(10)	-	EMD	31st July 2021
Bridleway in western Leyland	81	-	EMD	31st July 2021
Worden Park infrastructure and landscaping	(82)	-	Council	21st July 2021
Worden Hall refurbishment	745	-	Council	21st July 2021
Open Spaces – Bent Lane	139	-	Council	21st July 2021
Sports Pitch Hub	(389)	-	Cabinet	16th June 2021
Council Leisure Facilities (other than leisure centres)	275	-	Cabinet	16th June 2021
<b>An exemplary council</b>				
Corporate Buildings	(45)	-	Council	21st July 2021
Civic Centre Building Management System	1	-	EMD	19th May 2021
Civic Centre Hot Water System	3	-	EMD	19th May 2021
Civic Centre LED Lighting	28	-	EMD	19th May 2021
Civic Centre Solar Panels	45	-	EMD	19th May 2021

12. Further variations of £0.130m are requested as detailed in the major variations section of the report, in paragraphs 26 below
13. Slippage and re-profiling of budgets between 2021/22 and 2022/23, during the first four months of the year, totals £0.219m as detailed on the individual schemes in Appendix B.
14. As at 31<sup>st</sup> July 2021 the capital expenditure across the programme was £1.882m representing 8.5% of the current, revised projected capital spend for the year.
15. A capital receipt of £70k has been received in relation to insurance money for a damaged road sweeper. This will be used to fund the cost of replacing the vehicle. No further capital receipts are forecasted for 2021/22.

## **Major Variations in the 2021/22 Capital Programme in the 4 months to 31<sup>st</sup> July 2021**

### **Good Homes, Green Spaces and Healthy Places**

16. The 'Bridleway in western Leyland' is a new scheme with £71k funding from external contributions and S106 and £10k from the green infrastructure budget. The project will provide a 2.1km section of new bridleway which will create a new loop around western Leyland connecting with the existing bridleway network.
17. Four projects in Worden Park have been reprofiled to 2022/23; Craft Units - Windows and Security Grills, Farmyard Cottages - Heating, Sewerage pumping station, infrastructure and landscaping. This is to avoid interference with the works to be carried out on the refurbishment of Worden Hall.
18. Approval has been given for an increase in the Worden Hall Refurbishment budget of £745k, which comprised £81.5k transferred from the Worden Park infrastructure and landscaping budget, £45k transferred from the Corporate Buildings budget, £250k funding from the asset maintenance reserve, £118.5k contributions from revenue repairs and maintenance budgets and £250k CIL funding to cover the contingency element of the budget.
19. The Bent Lane Open Space budget has an approved increase of £139k to cover the costs of decontamination works.
20. The Sports Pitch Hub has an approved decrease in the scheme budget of £389k. Approval was given to utilise this reduction to create a budget of £275k for works to leisure facilities, other than the leisure centres, such as pavilions and playing pitches.

### **A Fair Economy that works for everyone**

21. The Leyland Train Station Ticket Office project budget of £60k has been reprofiled to 2022/23. The project will be incorporated into the wider Leyland Town Deal.

### **Thriving Communities**

22. No variations to note in the period.

### **An Exemplary Council**

23. £150k of the IT capital budget has been allocated to the Network switching and wireless infrastructure project. The project will upgrade and unify the network to include access points for improved Wi-Fi coverage. This project is being done in conjunction with Chorley Council with a total budget of £300k shared equally. The other IT projects already included in the programme, and the use of the remaining unallocated budget, are under review. A joint digital strategy for South Ribble and Chorley Councils will realign these budgets accordingly.
24. As noted above, £45k was transferred from the Corporate Buildings to the Worden Hall budget.
25. The budgets for four projects relating to decarbonisation works in the Civic Centre have been either adjusted or created following approval in an Executive Member Decision. The total budget for the projects is £145k which is all grant funded.

26. The forecast for the Vehicle Replacement Programme has increased by £130k due to two additional replacement vehicles being required; a sweeper which was damaged in a traffic accident and a waste collection vehicle that was damaged by a fire. Insurance proceeds of £70k, which will be treated as a capital receipt, has been received. It is requested to increase the Vehicle Replacement budget by £130k to reflect the increased costs and fund this with the £70k capital receipt and £60k with potential borrowing if required.

## **Section B: Balance Sheet**

### **Overview**

27. Strong balance sheet management assists in the effective use and control over the Council's asset and liabilities. Key assets comprise of 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**

28. 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 through the Capital Programme as reported in Appendices A and B.

### **Borrowing and Investments**

29. Long-term borrowing requirements flow from the capital programme. Regular dialogue and meetings take place between the Director of Finance, her staff and the Council's independent Treasury Consultants, Link Treasury Services, and options for optimising treasury management activities are actively reviewed.

30. Both short and long-term borrowing interest rates were at low levels at the end of the period, having remained stable over the course of the first few months of the year. Interest rates on investments have remained negligible throughout the period. It is projected that debt interest payable will be nil compared to a budget of £83k as a result of expected borrowing not being required due to the timing of schemes within the capital programme, and due to positive cash balances. Interest receivable on cash and investments is forecasted to be £100k compared to a budget of £200k due to interest rates being lower than those estimated at budget setting.

	<b>Original Budget 2021/22 £'000</b>	<b>Forecast as at 31<sup>st</sup> July 2021/22 £'000</b>
Interest and Investment Income	(200)	(100)
Debt Interest Payable	83	0
Minimum Revenue Provision (MRP)	298	298
<b>TOTAL</b>	<b>181</b>	<b>198</b>

31. The current borrowing and investment position is as follows;

	As at 31 <sup>th</sup> July 2021	As at 31 <sup>th</sup> July 2020
Short term borrowing	Nil	Nil
Long term borrowing	Nil	Nil
Cash Balance	17.533	16.700m
<b>Total Borrowing</b>	<b>Nil</b>	<b>Nil</b>
Investments made by the Council	£30m	£32m

## Debtors

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 31<sup>st</sup> July 2021. The figures for the same point in time in the last financial year are not available and so for the purposes of comparison, the corresponding level of debt at 31<sup>st</sup> March 2021 is shown.

	Position as at 31 <sup>st</sup> July 2021 £'000	Position as at 31 <sup>st</sup> March 2021 £'000
<b>Council Tax</b>		
Expected Council Tax 21/22	73,798	69,675
Current year balance outstanding	43,151	2,149
Previous years balance outstanding	4,930	3,266
<b>Total Council Tax balance outstanding</b>	<b>48,082</b>	<b>5,415</b>
Collection Rates	38.05%	96.80%
<b>Business Rates</b>		
Expected Business Rates 21/22	31,374	24,821
Current year balance outstanding	19,692	1,285
Previous year balance outstanding	1,830	744
<b>Total Business Rates balance outstanding</b>	<b>21,522</b>	<b>2,030</b>
Collection Rates	35.93%	95.02%
<b>Housing Benefit</b>		
Overpayment balances outstanding	918	976
<b>Sundry Debtors</b>		
Balance outstanding	1,360	604

33. Business Rates collection can fluctuate month on month but collection is currently broadly in line with expectations. Expected Business Rates for 2021/22 are much higher compared to those for last year due to the Covid reliefs that were applied in 2020/21 which are no longer applicable in 2021/22.
34. For debts relating to Housing Benefit and Sundry Debtors, in line with accounting standards and practice, the Council holds a provision for bad debt.
35. In respect of the figures above, the Council's share represents 11.7% of Council tax Income and 17.8% of Business Rates Income.

## Climate change and air quality

36. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

## **Equality and diversity**

37. None

## **Risk**

38. Any risks are addressed in the body of the report.

## **Comments of the Statutory Finance Officer**

39. The financial implications are contained within this report.

## **Comments of the Monitoring Officer**

40. There are no concerns with this report from a Monitoring Officer perspective.

## **Background documents**

41. The information contained within the report is in line with the Capital Strategy and the Three Year Budget Forecast within the Medium Term Financial Strategy 2021-24, as approved by Council in February 2021.

## **Appendices**

Appendix A – 2021/22 Capital Programme

Appendix B – 2021/22 Capital Programme Scheme Variations

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