

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel	15 <sup>th</sup> November 2021
	Cabinet	17 <sup>th</sup> November 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 30<sup>th</sup> September 2021

### Purpose of the Report

1. This report outlines the overall financial position of the Council in respect of the capital programme as at 30<sup>th</sup> September 2021, highlighting key issues and explaining key variances, and provides an overview of various elements of the Council's Balance Sheet as at 30<sup>th</sup> September 2021.

### Recommendations to Cabinet

2. To approve the revised capital programme as attached at **Appendix A** which includes approved amendments to the programme, as detailed at point 11 of this report, since the last Capital Monitoring report was approved by Cabinet in September;
3. To note the variations to the programme, (which are detailed, by scheme, at **Appendix B** and referenced within the body of the report);
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 30<sup>th</sup> September 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. In the last monitoring report, approved at Cabinet in September 2021, the budget was increased to £22.081m.

### Section A: Capital Programme

#### Key Issues

9. The total cost of the Council's capital investment programme for 2021/22 has decreased from £22.081m, as approved by Cabinet in the last monitoring report, to £16.159m at 30th September 2021; this includes the variations approved since the last report, along with those contained within in this report itself. A summary of the total costs of the programme, and the funding of this, is detailed at **Appendix A**.
10. The net variation of £5.922m is detailed by scheme in **Appendix B**. The net variation includes those variations approved since the previous monitoring report and variations in respect of the reprofiling of budgets within the existing programme.
11. Budget variations approved since the previous monitoring report are shown in the table below and have resulted in an increase of £0.836m in the 2021/22 capital programme and a decrease of £0.026m in the programme for 2022/23.

Scheme	Increase / (Reduction) 2021/22 £'000	Increase / (Reduction) 2022/23 and future years £'000	Approved by	Date approved
<b>Good homes, green spaces and healthy places</b>				
Farmyard Cottages in Worden Park - windows and rendering	26	-	EMD	30/09/21
Farmyard Cottages in Worden Park - heating	-	(26)	EMD	30/09/21
Affordable Housing - former McKenzie Arms, Bamber Bridge	810	-	Council	22/09/21
Leisure Centre refurbishments	(180)	-	Cabinet	15/09/21
Tennis Centre car park	180	-	Cabinet	15/09/21
Leisure Centre refurbishments	-	(500)	Council	22/09/21
Decarbonisation of Leisure Centres	-	500	Council	22/09/21
<b>Thriving Communities</b>				
Leisure Local	(175)	-	Cabinet	15/09/21
Vernon Carus Sports Club	175	-	Cabinet	15/09/21
<b>An exemplary council</b>				
IT Unallocated Funding	(50)	-	EMD	04/09/21
Revenues and Benefits Software Upgrade	50	-	EMD	04/09/21

12. The budgets for the following schemes have been reduced to reflect the fact that the tendered prices have come in lower than the estimated budget values:

- Open Spaces – Bent Lane reduction of £50k
- Lostock Hall Football Facility reduction of £25k
- A Tree for Every Resident reduction of £51k
- Parking Meter Replacements reduction of £15k

13. The budgets for the following scheme has been reduced following final completion of the project:

- Affordable Housing - Tom Hanson House, Station Road, Bamber Bridge reduction of £13k

14. Slippage and re-profiling of budgets between 2021/22 and 2022/23, since the previous report, totals £6.660m as detailed on the individual schemes in **Appendix B**. The largest movements are shown in the table below and explanations in the major variations section that follows.

<b>Scheme</b>	<b>Paragraph Ref</b>	<b>Slippage and Reprofiled £'000</b>
Green Infrastructure unallocated	17	(155)
Council Leisure Facilities other than Leisure Centres	20	(175)
Affordable Housing - former McKenzie Arms, Bamber Bridge	21	(1,710)
Masterplanning & Regen - Leyland	22	(2,000)
Town Deal RIBA Stage 3	23	(1,527)
Civic Centre New Entrance	26	(150)
Vehicles and Plant replacement programme	27	(763)
Other Schemes		(181)
<b>Total</b>		<b>(6,660)</b>

15. As at 30th September 2021 the capital expenditure across the programme was £2.800m representing 17.3% of the current, revised projected capital spend for the year. While spend in relation to the overall programme is currently relatively low, several large projects are underway (e.g. Worden Hall, Sport Pitch Hub, Affordable Housing at former McKenzie Arms, Town Deal) and will incur significant spend over the coming months.

16. No further capital receipts have been received since the last monitoring report. The total value of capital receipts as at 30<sup>th</sup> September 2021 is £70k.

## **Major Variations in the 2021/22 Capital Programme since the previous report**

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

17. The green infrastructure budget of £155k has not yet been allocated to specific projects and has been reprofiled to 2022/23. Spending on Leyland Loop is estimated to be £26k below budget and this residual amount has also been reprofiled to 2022/23.

18. The Leisure Centre Refurbishments scheme had a budget of £530k in 2021/22. Two projects have been split out within the overarching scheme and are now included as separate budget lines; work to the Tennis Centre Car Park (£100k) and Reception Refurbishments (£400k). Of the remaining budget for Leisure Centre Refurbishments, £30k has been reprofiled into 2022/23.

19. £500k has been allocated from the Leisure Centre Refurbishments budget in 2022/23 to a new scheme, 'Decarbonisation of Leisure Centres', in line with the report to Council on 22<sup>nd</sup> September 2021. This represents the initial match funding from the Council that has been included in a grant application for approximately £4.0m. If and when the application is successful, the budget will be increased accordingly.

20. Again following a review of the project spend profiles for all capital schemes, £175k of the budget for 'Council Leisure Facilities other than Leisure Centres' has been reprofiled from

2021/22 into 2022/23. The revised budget of £100k will cover work to Worden Park Pavilion and Gregson Green Pavilion.

21. Affordable Housing – former McKenzie Arms has an approved budget increase of £810k. funded by £675k expected grant from Homes England and additional Section 106 funding of £135k as detailed in the report to Council on 22<sup>nd</sup> September 2021. A review of the spend profile has been undertaken and £1.710m of the budget has been transferred from 2021/22 to 2022/23.

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

22. Again, following the scheme by scheme review, the Masterplanning Leyland budget of £2.0m has been reprofiled to 2022/23 and will be incorporated into the wider Town Deal project.
23. Of the Town Deal RIBA Stage 3 budget of £2.774m, £1.527m has been reprofiled from 2021/22 to 2022/23. This means the revised budget for 2021/22 is £1.248m, which matches the value of grant that has been received to date.

### **Thriving Communities**

24. The Penwortham Community Centre Improvements budget for 2022/23 was set at £150k, with an assumed £75k contribution from Penwortham Town Council. The budget has been reduced to £100k and the assumed contribution removed.

### **An Exemplary Council**

25. The budgets for the four projects relating to decarbonisation works in the Civic Centre – Building Management System, Solar Panels, LED Lighting and Hot Water System – have been adjusted to reflect the revised costs following procurement exercises. There is an overall increase of £5k against the total budget of £145k.
26. The Civic Centre 3<sup>rd</sup> floor and new entrance projects have been reprofiled to 2022/23 and these projects have been delayed because of the pandemic.
27. The vehicle replacement scheme budget of £763k has been reprofiled to 2022/23; this relates to 4 refuse vehicles which will not be delivered before the financial year end.

## **Section B: Balance Sheet**

### **Overview**

28. 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

29. 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

30. 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.

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 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 the expected borrowing has not been 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 £55k 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 30th September 2021/22 £'000</b>
Interest and Investment Income	(200)	(55)
Debt Interest Payable	83	0
Minimum Revenue Provision (MRP)	298	298
<b>TOTAL</b>	<b>181</b>	<b>243</b>

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

	<b>As at 30<sup>th</sup> September 2021 £'000</b>	<b>As at 30<sup>th</sup> September 2020 £'000</b>
Short term borrowing	Nil	Nil
Long term borrowing	Nil	Nil
<b>Total Borrowing</b>	<b>Nil</b>	<b>Nil</b>
Investments made by the Council	42,000	27,000
Cash Balance	17,939	18,062

## 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 30th September 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.

	<b>Position as at 30th Sept 2021 £'000</b>	<b>Position as at 31<sup>st</sup> March 2021 £'000</b>
<b>Council Tax</b>		
Expected Council Tax 21/22	73,930	69,675
Current year balance outstanding	29,330	2,149
Previous years balance outstanding	4,770	3,266
<b>Total Council Tax balance outstanding</b>	<b>34,100</b>	<b>5,415</b>
Collection Rates	56.50%	96.80%
<b>Business Rates</b>		
Expected Business Rates 21/22	33,891	24,821
Current year balance outstanding	15,604	1,285
Previous year balance outstanding	1,478	744
<b>Total Business Rates balance outstanding</b>	<b>17,082</b>	<b>2,030</b>
Collection Rates	51.97%	95.02%
<b>Housing Benefit</b>		
Overpayment balances outstanding	898	976
<b>Sundry Debtors</b>	<b>30th Sept 2021</b>	<b>31st July 2021</b>
Balance outstanding	1,133	1,360

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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