

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel Cabinet	21st March 2022 23 rd March 2022

Is this report confidential?	No
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Is this decision key?	Yes
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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2021/22 Capital Programme and Balance Sheet Monitoring Report – position as at 31st January 2022

Purpose of the Report

1. This report outlines the overall financial position of the Council in respect of the capital programme as at 31st January 2022, highlighting key issues and explaining key variances, and provides an overview of various elements of the Council's Balance Sheet as at 31st January 2022.

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 November 2021;
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 as at 31st December 2021, and debtors as at 31st January 2022.

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:

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

Background

8. The capital budget for 2021/22 was set at £15.814m in February 2021. It was increased following approval of the outturn in 2020/21 to £21.380m. In the first monitoring report for the year 2021/22, approved at Cabinet in September 2021, the budget was increased to £22.081m. In the last monitoring report, which covered the period to the end of quarter 2 and was approved at Cabinet in November 2021, the budget was reduced to £16.159m.

Section A: Capital Programme

Key Issues

9. The total cost of the Council's capital investment programme for 2021/22 has decreased from £16.159m, as approved by Cabinet in the last monitoring report, to £13.325m at 31st January 2022; 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 £2.933m 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 a decrease of £0.485m in the 2021/22 budget and an increase of £40.640m in the budget for 2022/23.

Scheme	Increase / (Reduction) 2021/22 £'000	Increase / (Reduction) 2022/23 and future years £'000	Approved by	Date Approved
Good homes, green spaces and healthy places				
Green Infrastructure				
Electric Vehicle Charging Points	106	180	Council	26/01/22
Worden Park				
Shaw Brook weirs and banking		10	Council	23/02/22
Shaw Wood footpaths		17	Council	23/02/22
Worden Park infrastructure and landscaping		150	Council	23/02/22
Other Parks and Open Spaces				
Open Spaces - Mounsey Road		30	Council	23/02/22
Playground - Birch Avenue, Penw		70	Council	26/01/22
Playground - Ryden Avenue		70	Council	23/02/22
Playground - Hutton		95	Council	23/02/22
Playground - Longton		120	Council	23/02/22
Playground - King George V, Penw		90	Council	23/02/22
Playground - New Longton		135	Council	23/02/22
Lighting upgrade to LED - Tardy Gate Playground & 3 other sites		25	Council	23/02/22
Sand/woodchip pit edge replacements - Withy Grove & Gregson Lane Playgrounds		40	Council	23/02/22
Hurst Grange Park - New link path		45	Council	23/02/22
Strawberry Valley Park, Bent Lane Phase 2		40	Council	23/02/22
Hurst Grange Park - new signage		15	Council	23/02/22
Farington Lodges - path improvements and dipping platform		41	Council	23/02/22
Parks - Smaller parks and play areas		200	Council	23/02/22
Sports and Leisure				
Decarbonisation of Leisure Centres		4,769	Council	23/02/22
Housing				
Disabled Facilities Grants		958	Council	23/02/22
A Fair Economy That Works for Everyone				
Towns Fund	(414)	32,519	Council	23/02/22
Thriving Communities				
Vernon Carus Sports Club	90		Cabinet	17/11/21
Leisure Local (transfer to Vernon Carus)	(15)		EMD	10/01/22
An exemplary council				

IT Mobile Devices, Citrix, CCTV, Software and Cloud-based upgrades	100	870	Council	26/01/22
Totals	(133)	40,488		

12. Slippage and re-profiling of budgets from the programme in 2021/22 to 2022/23 since the previous report totals £2.700m, 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.

Scheme	Slippage and Reprofiling £'000
Green Link - Penwortham Holme to Howick	(250)
Worden Park - Walled garden pot house, Ice House and fountain	(140)
Hurst Grange Park - Drainage, paths and coach house	(108)
Playgrounds - Moss Side Village Green and Birch Avenue	(200)
Sport Pitch Hub	(800)
Disabled Facilities Grants	(267)
Housing grants - Empty homes and private sector	(87)
Churchyard wall repairs - St Mary's, Penwortham	(86)
IT	(218)
Vehicles and Plant replacement programme	(534)
Other Schemes	(10)
Total	(2,700)

13. As at 31st January 2022 the capital expenditure across the programme was £4.790m, representing 36% 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 two months.

14. Additional capital receipts with a total value of £114k have been received since the last monitoring report. The total value of capital receipts for 2021/22 as at 31st January 2022 is £185k.

Major Variations in the Capital Programme since the previous report

Good Homes, Green Spaces and Healthy Places

15. Green Link Penwortham Holme to Howick – The budget of £250k has been reprofiled to 2022/23. The tender has been completed and permission to award the contract will be sought from Cabinet in March 2022.

16. Electric Vehicle Charging Points – In January 2022 Council approved this new scheme, which is funded by two different grants totalling £264k and a contribution of £21.5k from the Climate Emergency reserve.

17. Worden Park – Three schemes have been reprofiled to slip the budget from 2021/22 to 2022/23 totalling £140k, in order to match budgets with the expected spending profile. The budgets for three other schemes within this programme have been increased by £177k following approval of the budget report by Council in February 2022.
18. Hurst Grange Park – The remaining budget for drainage works has been reprofiled to 2022/23, along with the £40k budget for path works, to reflect expected spending profiles. £60k of the Coach House budget has also been reprofiled to 2022/23 to allow for finalising works.
19. Playgrounds and Open Spaces – Three schemes have been reprofiled to move the budgets in 2021/22 to 2022/23 to again match budgets with expected spending profiles – Mounsey Road 25k, Moss Side Village Green £125k and Birch Avenue £75k. The budgets for Birch Avenue and Mounsey Road have also been increased to £145k and £80k respectively, as approved by Council in February as part of the budget report. In addition, 12 new schemes have been added to the programme with a total budget of £916k, which were also outlined in the 2021/22 Budget report.
20. Sports Pitch Hub – There have been delays on the scheme due to poor weather conditions. As a result, £800k has been reprofiled into 2022/23 to reflect the revised construction timeline.
21. Decarbonisation – In September 2021 Council approved the creation of a budget equivalent to the value of any successful grant bid. Confirmation of the grant, at a value of £4.969m, has now been received.
22. Disabled Facilities Grants (DFGs) – £267k of the budget for 2021/22 has been reprofiled to 2022/23. The list of approved allocations would utilise all of the grant but it is unlikely that all of the works will be completed before year-end as past experience shows that there are always delays in customers finalising works with contractors or complementary works being carried out by LCC. In addition, the budgets in each of the following 3 years have been increased to £774k to match the grant allocation for 2021/22. The total increase in future years is £958k which comprises £92k in 22/23 (on top of the £267 reprofiled from 21/22), £92k in 23/24 and the full £774k in 24/25 since there was no budget previously included for that year.
23. Housing Grants – The budgets for Empty Properties grants and Private Sector Housing Improvements grants have been reprofiled by £39k and £48k respectively as there has been very little take-up of the grants during the year.

A Fair Economy that works for everyone

24. At the 23rd February Council meeting a paper was approved increasing the capital budget by £32.1m in respect of the Towns Fund programme. This scheme has been broken into component parts in the programme but the split will continue to be reviewed and may be subject to change as the project evolves.

Thriving Communities

25. Churchyard wall repairs at St Mary's, Penwortham – Spending in 2021/22 relates to work in the churchyard; a tender process is underway for the main works to the wall itself, which are expected to be undertaken in 2022/23 and so the remaining budget of £86k has been reprofiled accordingly.

26. Vernon Carus Sports Club – At Cabinet in November 2021, an increase of £75k was approved covered by £50k of new external funding and £25k from the Council’s internal resources. The budget has increased by a further £15k with a transfer from the ‘Leisure Local’ budget, which was approved via an EMD in January 2022.

An Exemplary Council

27. IT Mobile Devices, Citrix, CCTV, Software and Cloud-based upgrades – This is a new scheme approved at Council in February 2022. The budget has been profiled with £100k of expenditure expected in 2021/22 and the remaining £870k in 2022/23. It is funded by various reserves and from underspends in IT revenue budgets in 2021/22.
28. IT Other Schemes – The budgets for several projects, totalling £121k, have been combined into the general IT budget, taking the total to £183k; all of this has been reprofiled into 2022/23. This is due to a revision in IT requirements for 2022/23. The ‘Civic Centre hearing loop’ project for £35k has been kept as a separate project and reprofiled into 2022/23.
29. Vehicle Replacement Programme – £534 has been reprofiled to 2022/23 due to delays in the delivery of several vehicles.

Section B: Balance Sheet

Overview

30. 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

31. 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

32. 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 very low 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 £50k compared to a budget of £200k due to interest rates being lower than those estimated at budget setting; this is a decrease of £5k compared to the forecast in the last report.

	Forecast as at 31st January 2022 £'000	Forecast as at 30th September 2021 £'000
Interest and Investment Income	(50)	(55)
Debt Interest Payable	0	0
Minimum Revenue Provision (MRP)	298	298
TOTAL	248	243

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

	As at 31st January 2022 £'000	As at 31st January 2021 £'000
Short term borrowing	Nil	Nil
Long term borrowing	Nil	Nil
Total Borrowing	Nil	Nil
Investments made by the Council	49,000	42,000
Cash Balance	18,656	19,424

Debtors

34. 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 31st December 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 31st March 2021 is shown.

	Position as at 31st December 2021 £'000	Position as at 31st March 2021 £'000
Council Tax		
Expected Council Tax 21/22	73,958	69,675
Current year balance outstanding	8,850	2,149
Previous years balance outstanding	4,475	3,266
Total Council Tax balance outstanding	13,325	5,415
Collection Rates	84.40%	96.80%
Business Rates		
Expected Business Rates 21/22	34,174	24,821
Current year balance outstanding	6,746	1,285
Previous year balance outstanding	1,325	744
Total Business Rates balance outstanding	8,071	2,030
Collection Rates	76.79%	95.02%
Housing Benefit		
Overpayment balances outstanding	872	976
Sundry Debtors	31st January 2022	30th Sept 2021
Balance outstanding	1,191	1,133

35. 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.
36. For debts relating to Housing Benefit and Sundry Debtors, in line with accounting standards and practice, the Council holds a provision for bad debt.
37. In respect of the figures above, the Council's share represents 11.6% of Council Tax income..

Climate change and air quality

38. 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

39. None

Risk

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

Comments of the Statutory Finance Officer

41. The financial implications are contained within this report.

Comments of the Monitoring Officer

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

Background documents

43. 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 2022-25, as approved by Council in February 2022.

Appendices

Appendix A – 2021/22 Capital Programme

Appendix B – 2021/22 Capital Programme Scheme Variations

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