

| 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 | Monday, 20 June 2022 Monday, 20 June 2022 |

| | |
|------------------------------|----|
| Is this report confidential? | No |
|------------------------------|----|

| | |
|-----------------------|-----|
| Is this decision key? | Yes |
|-----------------------|-----|

| | |
|---|---|
| Savings or expenditure amounting to greater than £100,000 | Significant impact on 2 or more council wards |
|---|---|

2021/22 Capital Programme and Balance Sheet Monitoring Report – outturn position at 31st March 2022

Purpose of the Report

1. This report outlines the outturn financial position of the Council in respect of the capital programme at 31st March 2022, highlighting key issues and explaining key variances, and provides an overview of various elements of the Council's Balance Sheet as at 31st March 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 March 2022;
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 31st March 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 last monitoring report, which covered the period to the end of quarter 3 and was approved at Cabinet in March 2022, the 2021/22 programme was reduced to £13.325m.

Section A: Capital Programme

Key Issues

9. The total cost of the Council's capital investment programme for 2021/22 has decreased from £13.325m, as approved by Cabinet in the last monitoring report, to £7.764m at 31st March 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 £5.516m 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 increase of £0.027m in the 2021/22 budget and a reduction of £11.775m in the budget for 2022/23. The £0.027m constitutes an increase in spend on Bent Lane.

| 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 | | | | |
| Sports and Leisure | | | | |
| Leisure Centre Refurbishments | | 775 | Council | 20/4/22 |
| Leisure Centre Refurbishments | | 5,834 | Council | 18/5/22 |
| Leisure Facility | | (18,988) | Council | 18/5/22 |
| Thriving Communities | | | | |
| Lostock Hall Academy | | 300 | Council | 20/04/22 |
| Gregson Lane Community Centre | | 300 | Council | 20/04/22 |
| Totals | 0 | (11,775) | | |

12. Slippage and re-profiling of budgets from the programme in 2021/22 to 2022/23 since the previous report totals £5.588m, as detailed on the individual schemes in **Appendix B**. The largest movements are explained in the major variations section that follows.

13. At 31st March 2022 the capital expenditure across the programme was £7.809m. Whilst spend in relation to the overall programme was lower than anticipated at quarter three, several large projects are underway (e.g. Worden Hall, Sports Pitch Hub, Affordable Housing at the former McKenzie Arms, Town Deal) and the timing of exact expenditure before 31st March 2022 has been difficult to predict.

14. The total value of capital receipts for 2021/22 as at 31st March 2022 is £185k.

Major Variations in the Capital Programme since the previous report

Good Homes, Green Spaces and Healthy Places

15. Worden Park – work has been ongoing across the year end and as a result, the exact timing of the expenditure has been difficult to predict. £1.138m has been slipped into 2022/23 and is expected to be spent early in the new financial year.

16. Playgrounds and Open Spaces – the scheme at The Holme, Bamber Bridge, has been reprofiled to move the budget from 2021/22 to 2022/23 to reflect the expected timing of the expenditure.

17. Sports Pitch Hub – as reported at quarter three, there have been some delays due to bad weather and as a result the timing of expenditure has resulted in a further £1.164m being slipped into 2022/23.

18. Leisure Centres – As detailed in the reports to Council in April 2022 and May 2022, the future Leisure Capital programme has changed significantly to recognise the removal of the new Leisure Centre scheme and the inclusion of scheme budgets of £6.611m to fund refurbishments of the existing leisure centres. The impact of the scoping exercise has delayed the reception work project and as such, £377k of budget has been slipped into

the new financial year. The result of these changes has meant a £12.4m reduction in proposed borrowing.

19. Disabled Facilities Grants (DFGs) – £264k of the budget for 2021/22 has been reprofiled to 2022/23. The list of approved allocations would utilise all of the grant but has slipped due to the timing of the completion of the works.
20. McKenzie Arms – work is well underway at the site but the timing of expenditure has meant slippage of £290k into 22/23.

A Fair Economy that works for everyone

21. Due to the exact timing of any Town Deal acquisitions, £1.436m has been moved into 22/23.

Thriving Communities

22. No major variations.

An Exemplary Council

23. IT Schemes – significant purchases have been, and continue to be made, from the approved budget as equipment becomes available. Timing is reliant on the delivery from suppliers, and as a result £125k has been slipped into 22/23.

Section B: Balance Sheet

Overview

24. 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

25. 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

26. 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 have risen over the last few months, following the increases in the Bank of England Base Rate. Interest rates on investments have also increased in response to this, but nevertheless remain at low levels. Debt interest payable is nil compared to a budget of £83k as the expected borrowing has not

been required given the spend on the capital programme and the positive cash balances held by the council. Interest receivable on cash and investments is £90k compared to a budget of £200k due to interest rates being less than those assumed in the 2021/22 budget setting process; this is an increase of £40k however since quarter three as interest rates have risen.

| | Outturn at 31st March 2022 £'000 | Forecast as at 31st January 2022 £'000 |
|---------------------------------|--|--|
| Interest and Investment Income | (90) | (50) |
| Debt Interest Payable | 0 | 0 |
| Minimum Revenue Provision (MRP) | 298 | 298 |
| TOTAL | 208 | 248 |

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

| | As at 31st March 2022 £'000 | As at 31st March 2021 £'000 |
|---------------------------------|--|--|
| Short term borrowing | Nil | Nil |
| Long term borrowing | Nil | Nil |
| Total Borrowing | Nil | Nil |
| Investments made by the Council | 38,000 | 29,000 |
| Cash Balance | 18,155 | 15,846 |

Debtors

28. 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 March 2022.

| | Position at 31st March 2022 £'000 | Position as at 31st March 2021 £'000 |
|---|--|--|
| Council Tax | | |
| Expected Council Tax Collectable 21/22 (20/21) | 73,988 | 69,675 |
| Current year balance outstanding | 2,533 | 2,149 |
| Previous years balance outstanding | 4,280 | 3,266 |
| Total Council Tax balance outstanding | 6,813 | 5,415 |
| Collection Rates | 96.50% | 96.80% |
| Business Rates | | |
| Expected Business Rates Collectable 21/22 (20/21) | 34,293 | 24,821 |
| Current year balance outstanding | 1,327 | 1,285 |
| Previous year balance outstanding | 1,123 | 745 |
| Total Business Rates balance outstanding | 2,450 | 2,030 |
| Collection Rates | 96.14% | 95.02% |
| Housing Benefit | | |
| Overpayment balances outstanding | 847 | 976 |
| Sundry Debtors | 31st March 2022 | 31st January 2022 |

| | Position at 31st March 2022 £'000 | Position as at 31st March 2021 £'000 |
|---------------------|--|--|
| Balance outstanding | 666 | 1,191 |

29. Business Rates collection can fluctuate month on month but collection is 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.
30. For debts relating to Housing Benefit and Sundry Debtors, in line with accounting standards and practice, the Council holds a provision for doubtful debts.
31. In respect of the figures above, the Council's share represents 11.6% of Council Tax income and 11.1% of Business Rates Income.

Climate change and air quality

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

Equality and diversity

33. None

Risk

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

Comments of the Statutory Finance Officer

35. The financial implications are contained within this report.

Comments of the Monitoring Officer

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

Background documents

37. 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

| Report Author | Email | Telephone | Date |
|--|---------------------------------|-----------|---------|
| Neil Halton (Principal Management Accountant), | neil.halton@southribble.gov.uk, | | 20/5/22 |