

Report of	Meeting	Date
Deputy Director of Finance and Deputy Section 151 Officer and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Committee	20/02/2023
	Cabinet	22/02/2023

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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2022/23 Capital Programme and Balance Sheet Monitoring Report position at 31st December 2022

Purpose of the Report

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

Recommendations to Cabinet

2. To approve the revised capital programme as attached at **Appendix A** which includes amendments to the programme, as detailed at point 14 of this report, since the last Capital Monitoring report for the 6 months to 30th September 2022 was approved by Cabinet in November 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 December 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 2022/23 was set at £29.194m in February 2022. It was increased following approval of the outturn for 2021/22 to £43.349m. The monitoring report as at 31st July 2022 decreased the total budget to £42.765m. This was reduced to £35.02m in the quarter 2 monitoring report, approved at Cabinet in November 2022.

Section A: Capital Programme

Key Issues

9. The total cost of the Council's capital investment programme for 2022/23 has decreased from £35.020m, as approved by Cabinet in the report to 30th September 2022, to £24.255m at 31st December 2022; this includes the variations approved since the last report, along with those contained within 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 £10.765k is detailed by scheme in **Appendix B**. This relates to adjustments in respect of reprofiling budgets within the existing programme.
11. Slippage and re-profiling of budgets from the programme in 2022/23 to 2023/24 since the previous report, is detailed on the individual schemes in **Appendix B**. The largest movements are explained in the major variations section that follows.

Scheme	Slippage and Reprofiting From 2022/23 to 2023/24 £'000
Good Homes, Green Spaces and Healthy Places	
Green Link - Penwortham Holme to Howick	(310)
Leyland Loop	(47)
Ice House Front Façade	(10)
Sewerage Pumping Station and Sceptic Tanks	(20)
Worden Hall Remedial Wall Repairs	(45)
Worden Park Infrastructure and Landscaping	(100)
Hurst Park Drainage	(9)
Jubilee Gardens Extra Care	(5,334)
Private Sector Home Improvement Grants	(69)
A Fair Economy That Works For Everyone	
Masterplanning & Regen - Penwortham	(902)
Town Deal	
Quin Street Residential	(500)
Demolition and Asbestos Removal	(340)
Site Acquisitions	(1,000)
Commercial A - Market Square	12
Base	8
Balfour Court	(493)
Market	(499)
Commercial B - Church Place	4
Public Realm	(413)
Fees	(500)
An Exemplary Council	
Civic Centre 3rd Floor	(50)
Civic Centre New Entrance	(150)
Total	(10,766)

12. There has been an overall increase in the programme of £6.736m following the approval at Council in November 2022 to increase the programme budget for the Jubilee Gardens Extra Care scheme in 2023/24.

13. Narrative is also provided below in respect of the virements within the overall programme budget for;

- the Hurst Grange Park Paths Pond
- Strawberry Valley Park, Bent Lane Phase 2
- Neighbourhood Improvements
- Town Deal RIBA Stage 3
- Sumpter Horse/Jubilee Gardens

Scheme	Increase / (Reduction) 2023/24 and future years £'000	Virement From	Virement To	Approved by	Date Approved
Hurst Park Drainage Hurst Grange Park Paths Ponds		(19)	19	Council	Reallocation between the schemes following approval in the Qtr 1 monitoring report
Strawberry Valley Park, Bent Lane Phase 2			40	Subject to approval in this report	
Parks – Smaller Parks and Play Areas		(40)		Subject to approval in this report	
Neighbourhood Improvements			(10)	Subject to approval in this report	
Parks – Smaller Parks and Play Areas		10		Subject to approval in this report	
Jubilee Gardens Extra Care	6,736		2,000	Council	23/11/22
Sumpter Horse		(2,000)		Council	23/11/22
Total	6,736	(1,325)	1,325		

14. In the 9 months to 31st December 2022 the actual capital expenditure across the programme is £7.593m. Whilst spend in relation to the overall programme for the year is quite low, a number of significant projects are yet to commence e.g. Decarbonisation of Leisure Centres, whilst several of the schemes involve acquisitions undertaken in single transactions rather than over a period of time.

Major Variations in the Capital Programme since the previous report

Good Homes, Green Spaces and Healthy Places

15. Green Link – Penwortham Holme to Howick – £310k has been reprofiled to 23/24 as the scheme cannot commence until landowner issues are resolved.

16. There are several other schemes where budgets have been slipped into 23/24 to more accurately reflect the likely spending profile including Leyland Loop (£47k), Ice-House Front Façade (£10k), Sewerage Pumping Station and Sceptic Tanks (£20k), Worden Hall Remedial Wall Repairs (£45k), Worden Park Infrastructure and Landscaping (£100k) and Hurst Grange Park drainage (£9k).
17. Jubilee Extra Care Scheme – Council approved an increase to the budget of £8.736m on 23rd November 2022. The new total approved budget for this scheme now stands at £18.736m. £5.334m has been reprofiled into the programme for 23/24 and future years, to accurately reflect the timing of the major construction works.

A Fair Economy that works for everyone

18. Master planning and Regeneration – Penwortham – £902k has been reprofiled to 23/24 as final plans have not yet been agreed for the scheme.
19. Leyland Town Plan – The Council received confirmation that the business case for the Town Deal had been approved in late November 2022. The delay in this announcement has resulted in the reprofiling of the scheme as detailed in Appendix B totalling £3.721m

An internal transfer of budget of £372k within the Leyland Town Plan scheme has been made from the Fees element of the programme, to the Town Deal RIBA Stage 3 schedule of works.

An Exemplary Council

20. Total budget of £200k has been reprofiled to 23/24 to accurately reflect the timing of work to be undertaken on both the Civic Centre 3rd Floor (£50k) and Civic Centre New Entrance (£150k) schemes.

Section B: Balance Sheet

Overview

21. 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

22. 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

23. 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, and this trend is predicted to continue until at least September 2023. Debt interest remains at nil compared to £94K budget. Minimum Revenue Provision (MRP) costs are forecast to be £358k against a budget of £320k, due to a higher level of capital expenditure in 21/22 than that which had been forecast at budget setting, and on which the MRP budget was set.

Interest rates on investments are also now increasing, with a forecast yield of £425k compared to the budget of £150k.

	Original Budget 2022/23 £'000	Forecast as at 31st Dec 2022 £'000
Interest and Investment Income	(150)	(425)
Debt Interest Payable	94	0
Minimum Revenue Provision (MRP)	320	358
TOTAL	264	(67)

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

	As at 31st Dec 2022 £'000	As at 31st Jan 2022 £'000
Short term borrowing	Nil	Nil
Long term borrowing	Nil	Nil
Total Borrowing	Nil	Nil
Investments made by the Council	34,500	49,000
Cash Balance	21,749	19,424

Debtors

25. 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 2022.

	Position at 31st Dec 2022 £'000	Position as at 31st Dec 2021 £'000
Council Tax		
Expected Council Tax Collectable 22/23 (21/22)	77,394	73,958
Current year balance outstanding	7,928	8,850
Previous years balance outstanding	4,693	4,475
Total Council Tax balance outstanding	12,261	13,325
Collection Rates	85.09%	84.40%
Business Rates		
Expected Business Rates Collectable 22/23 (21/22)	36,575	34,174
Current year balance outstanding	4,713	6,746
Previous year balance outstanding	1,695	1,325
Total Business Rates balance outstanding	6,408	8,071
Collection Rates	81.20%	76.79%
Housing Benefit		
Overpayment balances outstanding	846	872
Sundry Debtors	31st Dec 2022	31st Jan 2022
Balance outstanding (incl CIL and S106)	2,351	2,306

26. Business Rates collection can fluctuate month on month, but collection is broadly in line with expectations at this point in the year.
27. For debts relating to Housing Benefit and Sundry Debtors, in line with accounting standards and practice, the Council holds a provision for bad debts.
28. In respect of the figures above, the Council's share represents approximately 11% of Council Tax income and 40% of Business Rates income.

Climate change and air quality

29. 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

30. None

Risk

31. Risks are broadly addressed in the body of the report however recent tender results and cost changes have been seen due to inflationary pressures. These will be monitored on an individual project basis and any budget changes reported when necessary.

Comments of the Statutory Finance Officer

32. The financial implications are contained within this report.

Comments of the Monitoring Officer

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

Background documents

34. There are no background documents to this report

Appendices

Appendix A – Capital Programme

Appendix B – Capital Programme Scheme Variations

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