



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance and Customer Services

DATE: 13 August 2020

PORTFOLIO/S AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2020/21 – Quarter 1 (3 months to 30th June 2020)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2020, highlighting key issues and explaining variations in the first 3 months of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked;

- to approve the revised capital programme as per Appendix 1,
- to approve the variations to the programme shown in Appendix 2

3. BACKGROUND

All portfolios are required to examine their capital budget position on a monthly basis.

4. KEY ISSUES & RISKS

a) The total cost of the Council's capital investment programme for 2020/21 has now increased from £33.930 million, as approved by Finance Council on 24th February 2020, to £36.967 million. The net variation of £3.037 million (detailed in Appendix 2) reflects;

- An increase of £9.225 million in respect of variations to the programme following the finalisation of the outturn position for 2019/20,
- Variations made to reflect the approval of schemes during the first quarter of the year, including an increase of £0.267 million (of which £0.037 million is funded from reallocation of budgets within the existing 2020/21 programme)
- further variations during the first quarter of the year, for which approval is requested (£6.418 million)

b) As at 30th June 2020, the capital expenditure across the portfolios was £1.571 million (representing 4.2% of the current, revised projected capital spend).

c) The estimated of capital receipts expected in 2020/21 is £4.2 million; £319,799 has been received in the first three months of the year.

5. POLICY IMPLICATIONS

The information contained within the report accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2020-23, as approved at Finance Council on 24th February 2020.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2020/21 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

Since the Capital Programme for 2020/21 was approved by Finance Council on 24th February 2020, it has increased by £3.037 million; £9.225 million of this relates to variations reported in the 2019/20 outturn report presented to Executive Board in July. The other main points to note are as follows:

6.1.1 New Approved Capital Schemes

Several capital schemes (new schemes and amendments to existing schemes) were approved in the first quarter of 2020/21 and have now been added to the capital programme as follows:

Scheme	Amount	Approved By	Date Approved
Children's, Young People and Education			
Appletrees Building Work	£37,000	Delegated Officer Decision	3-Apr-20
Finance and Governance			
3-7 Blakey Moor – funded from Corporate Property Investment Fund earmarked scheme	£230,000	Executive Member Decision	21-Feb-20

6.1.2 Adults and Prevention Services

Disabled Facilities Grant and Telecare Project Scheme

The above schemes have been decreased by £1,022,000 and £160,000 respectively, to reflect the actual allocation received from central government for 2020/21.

6.1.3 Children's Young People & Education

Disabled Facilities Grant

As for the Adults scheme above, the Disabled Facilities Grant scheme within the Children's portfolio has also been decreased, by £263,000 to reflect the actual allocation received from government for 2020/21.

Appletrees Building Work

Approval was obtained for building works at Appletrees of £37,000 in an Officer Decision on 3 April 2020. Since work has commenced variations to the scope of works have been requested by the client, which will provide betterment for the end user. As a result of these variations an increase of £16,000 is requested to the budget for this scheme.

Capital Allocations for Schools

The Capital Allocations for Schools has been amended to reflect the actual allocation of £1,098,000 to be received for 2020/21 from central government.

In addition, there has been a further reduction of £465,000 in respect of the amount of devolved formula capital funding which has been directly allocated to the schools through a transfer to revenue at the end of 2019/20. The scheme by scheme breakdown of the schools capital programme is yet to be agreed.

6.1.4 Growth and Development

Local Transport Plan

Variations to the Local Transport Plan budget are listed in the table below.

- S106 contributions should only be utilised upon their receipt, and the adjustments below reflect this.
- Additional Capital Grant funding has been received in respect of Pothole funding and Emergency Active Travel Fund totalling £1.34 million.

Approval is sought to add these schemes to the approved Local Transport Plan capital programme for 2020/2021.

<u>Variations to the programme - increases</u>	<u>£'000s</u>
New DFT Pothole funding	1,265
DFT Emergency Active Travel Fund increases	75
<u>Scheme Increases in respect of S106 Contributions</u>	
S106 School Lane, Guide – Executive Board Report 12-Mar-20	1
S106 Yew Tree Drive – Executive Board Report 12-Mar-20	400
S106 Spring Meadows – Executive Board Report 12-Mar-20	200
Other increases	
Main programme borrowing – Executive Board Report 12-Mar-20	715
Bus Station bond – Executive Board Report 12-Mar-20	410
Total increases	3,066
<u>Variations to the programme - decreases</u>	
Pay back of main programme funding in 2019/20 and rephasing of grant drawdowns	(2,317)
<u>Scheme Decreases in respect of S106 Contributions</u>	
S106 Cranberry Lane – contribution utilised in previous years	(156)
S106 Gib Lane Phase A – contribution utilised in previous years	(36)
S106 Gib Lane Phase C – to be utilised in revenue budget	(20)
S106 Roe Lee – Only £150,000 to be utilised in 2020/21	(700)
S106 Pole Lane North – Only £150,000 to be utilised in 2020/21	(400)
Total decreases	(3,629)
Total net variations	(563)

Neighbourhood Intervention Fund

Capital receipts of £98,000 have been recycled back into the scheme and a request is made to increase the scheme by this value.

Assistance to Industry

The Assistance to Industry scheme has been decreased by £150,000 to reflect the agreed scheme budget for the year.

6.1.5 Earmarked Schemes

Vehicle Purchase

Following approval by Executive Board in August 2019, vehicles were purchased in Quarter 1 and then sold and leased back by the Council; as such they will now be funded through revenue rather than main programme borrowing. Approval is now therefore requested for a reduction in the programme of £920,000 to reflect the change in the financing mechanism.

6.2 CAPITAL RECEIPTS

Actual capital receipts in Quarter 1 were £319,799. All of these receipts will be utilised in support of the Minimum Revenue Provision.

6.3 BALANCE SHEET POSITION

6.3.1 Overview

Good balance sheet management assists in the effective use and control over the Council's assets 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.

6.3.2 Non-current Assets

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. Property assets are the responsibility of the Finance and Governance portfolio. 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 by way of the capital programme, as reported in Appendix 1.

6.3.3 Borrowing and Investments

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

Both short and long term borrowing interest rates were at low levels at the end of the period, but had fluctuated significantly over the course of the first quarter of the year. Following the cuts in the Bank of England Bank Rate in March 2020, interest rates on investments have fallen significantly. To date, it is now projected that:

- (a) MRP will be £76,000 higher than anticipated in the original 2020/21 estimates (as a result of lower capital receipts at 2019/20 outturn),
- (b) There will be no interest or dividends on our investment in the Local Education Partnership (LEP) companies, (original estimate of £100,000), as agreed as part of sale of these investments,
- (c) It is currently anticipated that the income on treasury investments will be lower than the original budget as a result of the fall in interest rates,

(d) It is also anticipated that the debt interest payable, in particular interest paid on short term borrowings, will be lower than the original budget, due to current, low level of interest rates on borrowing and changes in the cash flow profile,

(e) It is difficult to quantify the anticipated losses on treasury interest income and savings on short term borrowing interest costs at this time due to fluctuating interest rates and constantly changing cash flow profiles.

Interest and Debt Repayments Revenue Budget

	Original Budget	Movement Quarter 1	Current Budget Quarter 1
Interest and investment income	(215,000)	100,000	(115,000)
Debt interest payable	12,990,200	-	12,990,200
MRP	6,835,000	76,000	6,911,000
Total	19,610,200	176,000	19,786,200

The current borrowing and investment position is as follows:

	Amounts at 30/06/20 £000	Amounts at 31/03/20 £000
Short term borrowing	84,000	84,000
Long term borrowing	149,915	149,915
Transferred debt re Local Government Reorganisation	14,148	14,148
Recognition of debt re PFI arrangements	62,961	63,414
TOTAL BORROWING	311,024	311,477
Investments made by the Council	46,623	57,453

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing the BSF school buildings in to use, which are financed through PFI arrangements. These adjustments are made to ensure that the Council's effective control over, and use of, these assets is recognised with corresponding adjustments to the debt. These changes do not add to the costs faced by the Council Tax payer as the actual capital costs for these schools form part of the ongoing stream of payments made to the PFI contractor (which are in turn largely offset by PFI grant funding from the Government).

6.3.4 Debtors

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 June 2020. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/06/2020	Position at 30/06/2019
Council tax		
Current year balance (£000)	48,435	48,256
Previous year arrears (£000)	14,443	13,123
Total Council tax balances	62,878	61,379
Collection rates	26.1%	25.3%
Business rates		
Current year balance (£000)	25,029	31,259
Previous year arrears (£000)	3,236	2,932
Total Business rates balances	28,265	34,191
Collection rates	13.5%	31.9%
Housing Benefit		
Overpayments balances (£000)	2,119	2,880

The Business Rates collection rate has been significantly affected by the measures taken by both central government and the council, to support businesses in the borough through the COVID pandemic. To allow businesses sufficient breathing space from April to June, the council took the decision that it would not request direct debit payments, and instead it would recalculate all Business Rate bills with the instalments reprofiled over the period from July to March.

In addition, the council has also offered the option to any struggling businesses, to make contact with the Finance Team and in many instances, as a result, instalment plans have been introduced for the payment of their invoices relating to the April to June period.

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

None

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	V1.0
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CONTACT OFFICER:	Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893)
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DATE:	2020
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BACKGROUND PAPER:	N/A
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