

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	14 July 2022

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2021/22 – Quarter 4 as at 31st March 2022

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st March 2022, highlighting key issues and explaining variations at the year end with regard to scheme under/overspends and slippage since the last report to the Executive Board in February 2022.

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 2021/22 has now decreased from £25.485 million, as approved by Executive Board on 10th February 2022, to £17.273 million at 31st March 2022. The net variation of £8.212 million (detailed in Appendix 2) reflects;
- budget increases of £0.574 million made to reflect the approval of schemes during the fourth quarter of the year,
 - a further budget increase of £0.240 million for costs transferred from the revenue budget,
 - further variations during the final quarter of the year, for which approval is requested (£0.274 million),
 - slippage and re-profiling of budgets during the final quarter of the year (£9.300 million).
- b) Capital receipts of £5.118 million were received during 2021/22, which were used to support the Minimum Revenue Provision. This compares with the forecast reported to the Executive Board in February of £5.0 million.

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 2021-24, as approved at Finance Council on 1st March 2021.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2021/22 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2021/22 has decreased by £8.212 million in the final quarter of the year. 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 final quarter of 2021/22 and have now been added to the capital programme as follows:

Scheme	Amount 2021/22 £	Amount Future Years £	Approved By	Date Approved
Children's and Education				
Stansfeld Centre Refurbishment	-	£500,000	Executive Board	10-Mar-22
Shadsworth Infants School - SEND	-	£250,000	Executive Board	10-Mar-22
Longshaw Nursery School Relocation	-	£165,000	Executive Board	10-Mar-22
Growth and Development				
St John's Church Refurbishment	-	£3,540,000	Executive Board	10-Feb-22
Flood Defence – Brecon Road	£90,000	-	Executive Board	10-Mar-22
Flood Defence – Waterfall Surface Water	£150,000	-	Executive Board	10-Mar-22
Flood Defence – Aqueduct Road	£174,630	-	Executive Board	10-Mar-22
Flood Defence – Quick Win Fund Hope Street	£7,500	-	Executive Board	10-Mar-22
Flood Defence – Old Gates Drive	£56,000	-	Executive Board	10-Mar-22
Flood Defence – Preston Old Road	£65,000	-	Executive Board	10-Mar-22
Flood Defence – Corporation Park	£30,000	-	Executive Board	10-Mar-22
Local Transport Plan 22-23	-	£5,255,263	Executive Board	10-Mar-22
Total	£573,130	£9,710,263		

6.1.2 Adults and Prevention Services

Disabled Facilities Grant

Approval is requested to carry forward funding of £243,000 in respect of the Disabled Facilities Grant to use for spend to be incurred in 2022/23.

Telecare Project

A request is made to carry forward £40,000 of the Telecare Project allocation to fund expenditure on this scheme in 2022/23.

Safer Streets Fund

This project is funded by a grant from central government which is to be used for both capital and revenue costs. An estimated split of costs between capital and revenue was made when the grant was received, but this has since changed as more capital costs have been incurred. The increase of £41,000 in the spend on this capital scheme is to be funded from a reallocation of the grant originally attributed to revenue.

CCTV Hub Upgrade

Additional costs totalling £55,000 have been incurred on this scheme. These additional costs are to be financed by a revenue contribution from the CCTV earmarked reserve.

6.1.3 Children's Young People & Education

Disabled Facilities Grant

Re-profiling of the disabled facilities grant budgets has been necessary, it is therefore requested that £57,000 be slipped into 2022/23 for future spend on this scheme.

Two Year Old Grant.

Approval is requested to carry forward funding of £214,000 in respect of the Two Year Old Grant to be used in future years.

Schools Capital Schemes

Unallocated schools capital grant allocations have been retained in an overarching Capital Allocation Fund within the capital programme until bids against this have been approved. As such, a balance remains unallocated at the year-end of £3.823 million for carry forward and utilisation in 2022/23.

Further slippage and variations on schemes within the schools capital programme are as follows:

Scheme	Slippage Requested £'000	Other Variations £'000	Project Management Fee Allocation £'000
Newfield ASD	-	57	-
Avondale Kitchen	32	-	2
BCHS/Crosshill SEN	52	-	9
Lammack Extension	146	-	25
Longshaw Nursery Relocation	89	-	2
Feniscowles Disability Access Adaptations	74	-	5
Avondale Resurface Playground	35	-	-
Lower Darwen Primary Heating	52	-	-
Roe Lee Roofing, Upstandings & Windows	49	-	-
Other Schemes – Minor slippage on several schemes	219	-	-
Other Schemes – Minor variations, overspends/underspends on several schemes	-	8	7
Total Slippage and Variations	748	65	50
Funded by:			
Overspends financed from Contingency		(65)	-
Allocation of Project Management Fee		-	(50)
Total Variations Funding		-	-

The project management fee is charged to the individual schemes at the end of the year, and the budget has been apportioned across the schemes undertaken during the year accordingly.

Newfield ASD

This scheme was completed in the previous year, but an invoice has been received which was incorrectly omitted from the accrual included at March 2021. These costs have been funded from the contingency included within the schools capital programme.

6.1.4 Environmental Services

Old Bank Lane Car Park, Purchase of Blue Bins and Feilden Street Car Park ANPR

These schemes have completed during the year reporting underspends of £17,000, £4,000 and £2,000 respectively.

Prayer Shelter at Pleasington Cemetery

Approval is requested to carry forward £34,000 on this scheme into 2022/23, for works to be completed next year.

6.1.5 Public Health and Wellbeing

Capital schemes for Witton Park Cycle Track and Replacement Gym Equipment have completed during the year with underspends of £5,000 and £33,000 respectively.

6.1.6 Growth and Development

Growth Team Housing Schemes

Approval is sought to slip the following Growth Team Housing Scheme allocations, as these schemes are all on going:

Scheme	Slippage Requested £'000
Bank Top and Griffin Clearance	36
Neighbourhood Intervention Fund	(217)
Other Acquisitions	10
Development Investment Fund	23
Land Release Fund	34
Total Slippage	(114)

It is also requested that an additional £255,000 is added to the budget for the Neighbourhood Intervention Scheme in 2021/22 in respect of a compensation payment made in respect of land previously acquired by the Council by way of compulsory purchase. This is to be financed from affordable housing S106 contributions.

Assistance to Industry

A request is made to slip the £107,000 that remains unutilised at 31st March 2022 for the consideration and approval of grant requests in 2022/23.

Local Transport Plan

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

Variations Due to Slippage	£'000
Department for Transport grant to be used in 2022/23	(1,105)
S106 Contributions to be used in 2022/23	
West Bank Infrastructure	(84)
Yew Tree Drive	13
Pole Lane North	(250)
Spring Meadows	(200)
Total Slippage	(1,626)
Other Variations	
Environment Agency – Preston Old Road	65
Total of Other Variations	65
Total Net Variations	1,561

Blakey Moor

Approval is requested to re-profile a further £104,000 into 2022/23 as the scheme was still ongoing at the end of March 2022.

Cathedral Quarter Office Block Fit Out

Approval is requested to slip £28,000 into 2022/23 for costs to be incurred in future years.

Reel Cinema and Jubilee Square

A request is made to re-profile the remaining budget of £39,000 into 2022/23, for ongoing works being undertaken on Jubilee Square.

Drainage Schemes

Approval is sought to slip the following Drainage Scheme allocations, as these schemes are all on going:

Scheme	Slippage Requested £'000
Bury Brook Fold	14
Pottery Farm Alleviation	10
Waterfall Study	123
Grimshaw Park Flood Alleviation Scheme	3
Brecon Road Drainage	66
Corporation Park Drainage	13
Aqueduct Road Drainage	175
Quick Win Fund (Hope Street)	8
Total Slippage	412

Affordable Warmth Grants

A request is made to slip the £6,000 that remains unutilised at 31st March 2022 for the consideration and approval of grant requests in 2022/23.

Darwen Tower

Approval is sought to re-profile £52,000 of the budget previously slipped on this scheme for works which were completed in 2021/22.

Darwen Towns Fund

A request is made to slip the remaining budget of £598,000 on this scheme into 2022/23, as these works were ongoing at year end.

Thwaites SPV

Following the completion of the initial investment in the Thwaites SPV company an underspend of £12,000 is reported.

Greenfields CC & Mill Hill Juniors FC Grants

A request is made to slip the £50,000 budget for this scheme into 2022/23, as distribution of these grants has been delayed whilst details of the works to be undertaken are being drawn up.

Manxman Road Car Park

This scheme has completed during the year reporting an underspend of £4,000.

St Johns Church Refurbishment

This scheme was initially expected to commence in 2022/23, but preliminary works were started in March 2022. Approval is therefore sought to re-profile £39,000 of the budget for this scheme from 2022/23 into 2021/22 for these costs incurred.

6.1.7 Digital and Customer Services

Variations and slippage on Corporate ICT scheme are as follows:

Scheme	Slippage Requested £'000	Other Variations £'000
Finance System	18	-
Desktop Refresh	-	-
Core Infrastructure Programme	36	-
Legal Services Case Management System	32	-
Corporate Website	4	-
Town Hall IT Infrastructure Upgrade	44	-
Digital Customer Portal	73	-
Reablement System	-	(8)
Round Management System	12	-
Replacement HR and Payroll System	87	-
Implementation Liquidlogic Group Work Module	11	-
Microsoft 365 and Unified Comms	55	-
Transition to the Cloud	10	-
Total Slippage and Variations	382	(8)

Reablement System

This scheme is now complete with a remaining budget of £8,000 unspent. Approval is sought to transfer the unspent budget back to the Corporate ICT earmarked scheme.

Desktop Refresh

A request is also made to increase the budget on this scheme by £236,000 for additional devices which were required to be purchased during the year. These costs were previously included within the revenue budget, and are to be funded by a revenue contribution.

6.1.8 Finance and Governance

Public Sector Decarbonisation Scheme

A request is made to slip the remaining budget of £565,000 on this scheme into 2022/23, as work is still ongoing.

Corporate Accommodation Strategy Phase 2

Approval is sought to re-profile a further £38,000 of this budget for this scheme into 2022/23 for costs to be incurred in future years.

Darwen Town Hall Reroofing and Witton 3G Changing Room Roof

These schemes are now complete with remaining unspent budgets of £24,000 and £3,000 respectively. Approval is sought to transfer the unspent budgets back to the Corporate Property Investment earmarked scheme.

Mill Hill Community Centre Roof

A request is made to re-profile £2,000 of the previously slipped budget for this scheme from 2022/23 into 2021/22 for costs incurred during the year.

Treescaping Fund

This scheme was ongoing at the end of March 2022, and it is therefore requested that the unspent budget of £85,000 is re-profiled into 2022/23 for the continuing work in respect of this scheme.

6.1.9 Earmarked and Contingent Schemes

Corporate ICT Earmarked Scheme

Approval is sought to slip the remaining budget of £28,000 on this Earmarked Scheme allocation from the 2021/22 programme to meet the costs in future years.

Corporate Property Investment Earmarked Scheme

Approval is sought to slip the remaining budget of £27,000 on this Earmarked Scheme allocation from the 2021/22 programme to meet the costs in future years.

Vehicles Earmarked Scheme

Approval is requested to slip the remaining budget of £253,000 on this Earmarked Scheme allocation from the 2021/22 programme to meet the costs in future years. The vehicles purchased in 2021/22 will be considered for leasing during 2022/23 as part of a leasing tender process.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of March 2022 were £5.118 million, compared with £5.0 million forecast reported to the Executive Board in February. 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 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, their staff and the Council's independent treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

No long-term borrowing has been taken this year.

The Council's surplus cash balances are managed on a day-to-day basis in line with the Treasury Management Strategy approved by Finance Council. The Council spreads its investment risk over a number of institutions and has limits on how much can be invested in any one institution and for how long. The list of approved institutions is kept under regular review by the Treasury Management Group in conjunction with information from the Council's treasury consultants.

More detail on the Treasury Management performance during 2021/22 and the outturn position for the year is included in the Treasury Management Outturn report, also on the agenda for this meeting.

Following the audit of the Council's Statement of Accounts 2020/21, the Council's External Auditors made a recommendation in relation to the Council's Minimum Revenue Provision (MRP) policy 'The Council should satisfy itself that its MRP policy results in a prudent MRP charge, in particular that the calculation of MRP appropriately reflects the nature of and period of expected benefits of capital expenditure and appropriate annuity rates are applied'.

This recommendation has arisen from a review of the Council's policy for MRP which was approved by the Council in March 2021 and specifically that part of the MRP relating to capital expenditure financed from debt arising up to 2007/08, Government-supported borrowing arising from 2007/08 and historic debt entered into prior to the Council gaining Unitary Authority status.

The outcome of the review undertaken by the Council following this recommendation from the external auditors will be reported to Executive Board in August.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 3 £	Movement Quarter 4 £	Year End Outturn £
Interest and investment income	(15,000)	(25,000)	(29,300)	(54,300)
Debt interest payable	12,285,500	11,673,000	(18,200)	11,654,200
MRP	6,016,000	5,892,000	325,200	6,217,200
Total	18,286,500	17,540,000	277,100	17,817,100

The current borrowing and investment position is as follows:

	Amounts at 31/03/2021 £000	Amounts at 31/03/2022 £000
Short term borrowing	78,250	20,000
Long term borrowing	145,681	141,790
Transferred debt re Local Government Reorganisation	13,582	13,039
Recognition of debt re PFI arrangements	61,603	59,744
TOTAL BORROWING	299,116	234,573
Investments made by the Council	58,633	42,170

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 31st March 2022. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 31/03/2021	Position at 31/03/2022
Council tax		
Current year balance (£000)	3,607	3,975
Previous year arrears (£000)	11,218	11,334
Total Council tax balances	14,825	15,309
Collection rates	94.8%	94.8%
Business rates		
Current year balance (£000)	962	883
Previous year arrears (£000)	2,160	2,723
Total Business rates balances	3,122	3,607
Collection rates	96.5%	97.8%
Housing Benefit		
Overpayments balances (£000)	2,565	2,383

Council Tax

The collection rate is broadly in line with expectations.

Business Rates

The Business Rates collection rate was affected by the COVID pandemic last year, including measures taken by both central government and the council, to support businesses in the borough.

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
-----------------	-------------

CONTACT OFFICER:	Jody Spencer-Anforth (Ext 507748) Julie Jewson (Ext 5893)
-------------------------	--

DATE:	June 2022
--------------	-----------

BACKGROUND PAPER:	N/A
--------------------------	-----