



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	8 September 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 2022/23 – Quarter 1 as at 30th June 2022

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2022, highlighting key issues and explaining variations in the 3 months of the 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 2022/23 has now increased from £35.691 million, as approved by Finance Council on 28th February 2022, to £52.400 million at 30th June 2022. The net variation of £16.709 million (detailed in Appendix 2) reflects;
- An increase of £13.526 million in respect of variations to the programme following the finalisation of the outturn position for 2021/22,
 - budget increases of £0.827 million (of which £0.462 million is funded by transfers from existing capital scheme budgets) made to reflect the approval of schemes during the first quarter of the year,
 - further variations during the first quarter of the year, for which approval is requested (£2.818 million),
- b) As at 30th June 2022, the capital expenditure across the portfolios was £1.102 million (representing 2.10% of the current, revised projected capital spend).

c) The estimated capital receipts expected in 2022/23 is £3.445 million; £0.985 million 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 2022-25, as approved at Finance Council on 28th February 2022.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in actual spend and resource availability for 2022/23 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2022/23 has increased by £16.709 million in the first 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 2022/23 and have now been added to the capital programme as follows:

Scheme	Amount £	Approved By	Date Approved
Children's and Education			
Newfield School Roof Repairs	£250,000	Executive Board	14-Jul-22
Brookhouse School MUGA Pitch Repairs	£20,000	Executive Board	14-Jul-22
Belmont Primary School Boiler Replacement	£35,000	Executive Board	14-Jul-22
Longshaw Juniors Replacement of Water Main	£25,000	Executive Board	14-Jul-22
Growth and Development			
Blackburn Museum & Art Gallery Roof Replacement – Includes £100,000 transfer from Corporate Property Investment Fund	£465,000	Executive Board	11-Aug-22
Finance and Governance			
Mill Hill Community Centre Roof – Funded by transfer from Corporate Accommodation Strategy Phase 2 scheme	£32,000	Officer Decision	12-May-22
Earmarked Schemes			
Vehicle Replacement Programme	£1,300,000	Executive Board	14-Jul-22
Total	£2,127,000		

6.1.2 Adults and Prevention Services

CCTV Hub Upgrade

Additional costs totalling £43,000 are currently forecast to be incurred on this scheme. It is requested that the budget for this scheme is increased by this amount. These additional costs are to be financed by a revenue contribution from the CCTV earmarked reserve.

6.1.3 Children's Young People & Education

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. Grants allocations for 2022/23 of £1.282 million for high needs provision and £1.323 million for schools condition grant have been added to the schools capital allocations fund.

A number of other adjustments are requested to be made to schools capital scheme budgets:

Scheme	Amount £
Project Management Fees	50,000
Contingency	100,000
BCHS/Crosshill	(10,000)
Lammack Extension	(26,000)
Other Variations	(12,000)
Total	102,000
Financed by Transfer from Schools Capital Allocations	(102,000)

Additional budgets on a number of schemes have been transferred back to the capital allocations fund and amounts reallocated for the project management fee for 2022/23 and contingency budget.

6.1.4 Growth and Development

Neighbourhood Intervention Fund

Capital Receipts totalling £25,000 had previously been recycled into the budget for this scheme, but have since been identified as relating to the Equity Loans scheme. The recycling of these capital receipts has therefore been transferred to the Equity Loans scheme.

Further capital receipts of £19,000 have been received in respect of properties purchased through the Neighbourhood Intervention Fund scheme. These capital receipts have therefore been recycled back into the budget for this scheme.

This results in a net decrease of £6,000 on the budget for this scheme.

Equity Loans

As well as the £25,000 increase in this budget, as noted above, further capital receipts of £30,000 have been received and recycled back into the budget for this scheme.

This results in a total increase of £55,000 of the budget for this scheme.

Blakey Moor

It is requested that the budget for the Blakey Moor scheme is increased by £420,000. £120,000 is to be funded by a revenue contribution from the COVID Recovery reserve and the remaining £300,000 is to be funded by a transfer from the Corporate Property Investment earmarked scheme.

The scope of the project has changed and forecast costs increased as a result of weather damage and deterioration in the condition of some of the buildings on Blakey Moor Terrace. Costs of construction generally have also been rising, further increasing the forecast spend for this scheme.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of June 2022 were £0.985 million. 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 so far 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.

Both short and long term borrowing interest rates and investment interest rates have increased over the quarter, as a result of increases in the Bank of England Bank Rate from 0.75% at the start of the period to 1.25% by the end.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 1 £
Interest and investment income	(25,000)	(25,000)
Debt interest payable	12,590,000	12,590,000
MRP	6,422,000	6,422,000
Total	18,987,000	18,987,000

The current borrowing and investment position is as follows:

	Amounts at 30/06/2021 £000	Amounts at 30/06/2022 £000
Short term borrowing	69,250	25,000
Long term borrowing	145,681	141,550
Transferred debt re Local Government Reorganisation	13,582	12,903
Recognition of debt re PFI arrangements	61,138	59,190
TOTAL BORROWING	289,651	238,643
Investments made by the Council	75,548	71,585

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 30/06/2021	Position at 30/06/2022
Council tax		
Current year balance (£000)	51,808	55,304
Previous year arrears (£000)	13,573	14,480
Total Council tax balances	65,381	69,784
Collection rates	27.4%	27.0%
Business rates		
Current year balance (£000)	28,305	29,343
Previous year arrears (£000)	3,058	3,895
Total Business rates balances	31,363	33,238
Collection rates	20.1%*	32.3%
Housing Benefit		
Overpayments balances (£000)	2,091	2,398

* Last day in month Direct Debits slightly delayed therefore not credited in calculation

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.

This report has been prepared in accordance with both the Local Government Act 1972 (Sec 151) which states that "every local authority shall make arrangements for the proper administration of their financial affairs' and the Local Government Act 2003 which, with its various statutory instruments, sets the legal framework within which the Council may undertake capital expenditure and empowers Councils to raise finance for capital expenditure.

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:	August 2022
--------------	-------------

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