

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	9 February 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 3 as at 31st December 2022

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 31st December 2022, highlighting key issues and explaining variations in the first 9 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,
- to approve the slippage requests detailed in Appendix 3

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 decreased from £52.931 million, as approved by Executive Board on 10th November 2022, to £28.606 million at 31st December 2022. The net variation of £24.325 million (detailed in Appendix 2) reflects;
- increases of £1.744 million made to reflect the approval of schemes during the third quarter of the year (£0.956 million of which are funded from reallocation of budgets within the existing 2022/23 programme)
 - further variations during the third quarter of the year, for which approval is requested (£0.443 million)
 - slippage and re-profiling of budgets during the third quarter of the year (£25.556 million).
- b) As at 31st December 2022, the capital expenditure across the portfolios was £8.358 million (representing 29.22% of the current, revised projected capital spend).

- c) The estimated value of capital receipts expected in 2022/23 is £4.833 million; this has increased from the estimated £3.445 million included in the capital programme, as £3.750 million has been received in the first nine 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 capital programme for 2022/23 has decreased by £24.325 million in the third quarter of the year.

The variations in actual spend and resource availability for 2022/23 are summarised by portfolio in Appendix 1, scheme level variations in spending are set out in Appendix 2, and slippage requests are detailed in Appendix 3.

The 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 third quarter of 2022/23 and have now been added to the capital programme as follows:

Scheme	Amount 2022/23	Amount Future Years	Approved By	Date Approved
Adults and Prevention				
Rough Sleeping Accommodation Programme	£437,585	£182,577	Executive Board	8-Dec-22
Children, Young People and Education				
Various Schools and Education projects funded from existing School Condition and Devolved Formula Capital allocations	£956,000	-	Executive Board	10-Nov-22
Environmental Services				
Replacement of Children's Play Area at Witton Park	£350,000	-	Executive Board	8-Dec-22
Total	£1,743,585	£182,577		

6.1.2 Growth Team Housing Schemes

Capital receipts of £130,600 and £47,000 have been recycled back into the Neighbourhood Intervention Fund and Equity Loans Fund respectively, and approval is requested to increase the schemes by these values.

In addition, funding of £220,000 was secured from the Brownfield Land Release Fund which will be used to prepare the Longshaw Nursery Site for development, and the budget for this scheme has therefore been increased by this amount.

Scheme	Q3 Variations £
Neighbourhood Intervention Fund	130,600
Equity Loans	47,000
Land Release Fund	220,000
Total	397,600

6.1.3 Other Variations

Adult Social Care software system

A request is made to add a scheme to the capital programme for the Adult Social Care software system transition to the Cloud. The cost of this scheme is £45,000, to be funded by a revenue contribution, and a budget has been added for this amount.

6.1.4 Slippage

There are a number of requests for the approval of slippage in respect of schemes that are now not expected to be completed within the current financial year. These are detailed in Appendix 3.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of December 2022 were £3.750 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, and it is not anticipated that any new borrowing will be required before the financial year-end.

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, this is due to a number of factors including global issues, the 'mini-budget' and increases in the Bank of England Bank Rate from 2.25% at the start of the period to 3.50% by the end.

Changes to the income and debt repayment revenue budget forecasts are as follows:

- Interest and investment income is now forecast to be £0.912 million higher than the original budget. This is as a result of the increasing interest rates;
- Debt interest payable is forecast to be £0.870 million lower than the original budget. The Council has not had to undertake any borrowing during the year, mainly due to capital scheme slippage;
- MRP is forecast to be £0.161 million lower than the original budget due to reduced capital spend being incurred in the previous year.

Interest and Debt Repayments Revenue Budget

	Original Budget £	Forecast at Quarter 2 £	Movement Quarter 3 £	Forecast at Quarter 3 £
Interest and investment income	(25,000)	(505,000)	(432,000)	(937,000)
Debt interest payable	12,590,000	11,890,000	(170,000)	11,720,000
MRP	6,422,000	6,261,000	-	6,261,000
Total	18,987,000	17,646,000	(602,000)	17,044,000

The current borrowing and investment position is as follows:

	Amounts at 31/12/2021 £000	Amounts at 31/12/2022 £000
Short term borrowing	20,000	5,000
Long term borrowing	143,564	139,776
Transferred debt re Local Government Reorganisation	13,175	12,768
Recognition of debt re PFI arrangements	60,209	58,082
TOTAL BORROWING	236,948	215,626
Investments made by the Council	53,100	63,052

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

	Position at 31/12/2021	Position at 31/12/2022
Council tax		
Current year balance (£000)	15,915	15,574
Previous year arrears (£000)	11,795	12,917
Total Council tax balances	27,710	28,491
Collection rates	77.8%	79.2%
Business rates		
Current year balance (£000)	8,769	7,811
Previous year arrears (£000)	2,812	3,224
Total Business rates balances	11,581	11,035
Collection rates	77.2%	82.1%
Housing Benefit		
Overpayments balances (£000)	2,463	2,160

The table below shows the level of trade debtors as at 31st December 2022, net of the provision for doubtful debts, and the corresponding level of debt at the same point in the last financial year.

	Position at 31/12/2021	Position at 31/12/2022
Trade Debtors (£000)	8,817	6,941

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
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DATE:	January 2023
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BACKGROUND PAPER:	N/A
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