



| Report of: | Meeting | Date |
|---|---------|-----------------|
| Councillor A Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources | Cabinet | 13 January 2021 |

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| Capital Budget 2020/21 and Capital Programme 2021/22 Onwards |
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1. Purpose of report

- 1.1** To consider the review of the 2020/21 Capital Programme and the progress of schemes for the nine month period, covering April 2020 through December 2020, undertaken by spending officers. Noting amendments to the Capital Programme since last reported to Cabinet on 18 November 2020 and the financial impact over the term of the Programme, through to the end of 2025/26.
- 1.2** To agree the latest Capital Budget 2020/21 and the Capital Programme for the financial year 2021/22 onwards.

2. Outcomes

- 2.1** The council's latest Capital Budget 2020/21 and the Capital Programme 2021/22 onwards.
- 2.2** A Capital Programme that supports the achievement of the Council's corporate objectives.

3. Recommendations

- 3.1** That the progress of, and expenditure incurred on, capital schemes for the first nine months of the 2020/21 financial year is noted.
- 3.2** That the Revised Capital Programme, and it's funding, for the 2020/21 financial year totalling £11,763,751 be approved.
- 3.3** That the Capital Programme over the five year term from 2021/22 through to the end of 2025/26, totalling £11,966,986, be approved.
- 3.4** That the financial implications of the Capital Budget and future Capital Programme be reflected in the draft Revenue Estimates which will be

considered by Cabinet at their meeting on 17 February 2021 and be subject to approval by Council at the meeting on 11 March 2021.

4. Background

- 4.1** Capital expenditure generally comprises the buying, construction or improvements of physical assets. Physical assets include buildings, land, vehicles and other miscellaneous items such as playground equipment and wheeled bins. The expenditure can also include grants and advances which the council pay to other bodies or individuals for capital spending purposes. Owing to the mainly project-based nature of capital expenditure, there can be relatively large variances in expenditure over time compared to revenue expenditure.
- 4.2** There are a number of funding resources available to support the Capital Programme. These can include:
- Capital receipts – monies received from the sale of a capital asset;
 - Revenue contributions – monies set aside in specific reserves to support and fund schemes (i.e. Capital Investment Reserve, IT Strategy Reserve, Vehicle Replacement Reserve and Value for Money Reserve);
 - External grants and contributions – monies received from third parties to support or fund schemes. These monies normally include stipulations as to what they can be used for and the monies are held until such time as the requirements are fulfilled. The council receives Better Care Funding which it uses to support the delivery of Disabled Facilities Grants (DFGs), as well as other funding from the Environment Agency, MHCLG and Friends Groups.
 - External borrowing – the council is free to make its own borrowing decisions according to what it can afford, as set out in the Prudential Code. It is recognised that this source of funding does bear additional costs and therefore the use of this is limited.
- 4.3** The council's Capital Programme is set over a five year period. The proposed Programme takes the essential elements of the 2020/21 to 2024/25 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2021/22. Capital schemes are assessed in accordance with the Council's priorities as reflected in the Business Plan, the criteria specified in the Medium Term Financial Plan (MTFP) and the Capital Strategy.
- 4.4** The Capital Programme is supported by the Capital Strategy, which reflects the requirements of the latest Prudential and Treasury Management Codes. Giving consideration to:
- How capital expenditure, capital financing and treasury management activity contribute to the provision of services;

- An overview of how the associated risk is managed;
- The implications for future financial sustainability.

4.5 As part of the council's Performance Management process, finance and spending officers review the progress of capital scheme expenditure against the approved Programme. These reviews are carried out at least three times a year to coincide with key budget planning cycles. The summary results of this second review of the 2020/21 programme, as at 31 December 2020, are contained in Appendix 2.

4.6 The Original Capital Budget for 2020/21 was set at £3,367,386. Details of the changes to funding since then (as shown in Appendix 1) can be found in the appropriate Cabinet, Audit Committee, Emergency Powers and Portfolio Holder reports. Spend to date, the schemes' year-end position and budget changes are detailed in Appendix 2.

5. Key issues and proposals

5.1 2020/21 Capital Monitoring Period Nine (to end of December 2020)

5.1.1 Appendix 2 shows actual costs and commitments totalling £7,912,126 up to the end of December against the full year budget of £11,763,751, representing an aggregate spend of 67%. The scheme variations of spend against full year budget are shown in Appendix 2. Creditor adjustments processed as part of the 2019/20 accounts process, totalling £22,000, for which invoices have yet to be received or processed, have been excluded from the actual costs and commitments figure provided above.

5.1.2 As a result of the period nine review with spending officers, when compared to the current approved Budget, the predicted underspend as at 31 March 2021 is expected to be approximately £3,092,000. The main factors are:

- £2,000,000 for Wyre Beach Management;
- £655,000 for Disabled Facilities Adaptations;
- £208,000 for Rossall Seawall Improvement;
- £112,000 for playground refurbishments.

In some cases these underspends reflect delays or changes to when expenditure is expected to be incurred over the term of the scheme. For these schemes, which are not completed at the end of the financial year, there is a mechanism in place to carry forward funds into future years.

5.1.3 Neighbourhood Services and Community Safety Portfolio

5.1.4 Disabled Facilities Mandatory Grants – actual spend up to period nine is £855,995. Officers anticipate, owing to Covid-19 related unavoidable delays, an underspend of £655,000 this year. There is a waiting list for

adaptations which will utilise the underspend in 2021/22. An additional grant of £246,837 from MHCLG will be received in 2020/21, with the capital budget being amended accordingly and bringing the total Better Care Funding to £2,079,964.

5.1.5 Rossall Seawall Improvement Works – currently this scheme is underspending but it is anticipated that the budget will be fully utilised by the end of the year. Communication with the Environment Agency is on-going in relation to the use of the remaining funds.

5.1.6 Wyre Beach Management – the scheme had been initially delayed owing to Covid-19 but at this present time the in-year spend (pre-construction and enabling works) is £2 million lower than predicted owing to a further delay following changes to the siting of the compound for the storage of rock. The planning application for the compound was submitted in December 2020 and will be decided upon at a Planning Committee in March 2021. The overall scheme is being carried out in phases. The 2020/21 budget is reflective of phase one of the overall scheme, largely relating to the Rossall South area. Future reports will be presented to the relevant Portfolio Holder as further scheme phases are agreed.

5.1.7 Resources Portfolio

5.1.8 Vehicle Replacement – the reserve reflects the funding set aside at year-end for the purchase and ongoing replacement of the refuse collection and other vehicles in 2020/21 and future years. A full review of the VRP for 2020/21 onwards has been undertaken and the revised figures are included in the budget.

5.1.9 Planning and Economic Development Portfolio

5.1.10 Fleetwood Market Outdoor Area/Digital Signage – planned expenditure for digital signage exceeds current budget allocations by £20,000. However, Coastal Community Fund Round 5 (CCF5) grant will be transferred from an underspend on the Market House Studios scheme to fund this shortfall.

5.1.11 Market House Studios (previously titled Adelaide Street Studios) – snagging has been completed and the fitting out is in progress, with completion by the end of March 2021. The majority of the studios will be occupied prior to this date. The scheme is currently predicting an underspend of £20,000; as a result CCF5 grant from this scheme will be re-allocated to the Fleetwood Market Outdoor Area/Digital Signage scheme.

5.1.12 Fleetwood Heritage Action Zone (HAZ) – the process of finding and working with property owners is slower than anticipated and not helped by the current pandemic. The predicted underspend in 2020/21 is now expected to be £85,000. It is anticipated that this underspend will slip into future years.

5.1.13 Street Scene, Parks and Open Spaces Portfolio

- 5.1.14** Restoration of the Mount – the scheme was completed in November and we are awaiting the contractor's final invoice with only the retention to be paid at a later date.

5.2 Capital Programme – 2020/21 Budget and Funding

- 5.2.1** The latest details of the Capital Budget for 2020/21 (including the method of funding for each scheme) is attached at Appendix 1.

The budget reflects the following updates since last reported to Members (as at September 2020):

- In December 2020, the Government announced an additional £68m in capital funding for DFGs in 2020/21. This funding boost is intended to help support local authorities to deliver more home adaptations for those people with disabilities who qualify for a DFG. Wyre has been allocated an additional £246,837 as part of this additional funding.
- In October 2020, a Portfolio Holder decision approved a capital scheme for works to improve the playground at Memorial Park, Fleetwood. The overall scheme totals £36,500, with funding being provided by Wyre Council (£2,788 – allocated from the 'unallocated playground refurbishment' capital budget), a donation from the Friends of Memorial Park (£4,212) and a grant secured by the group from the Lancashire Environment Fund (£29,500).
- The council was in receipt of CCF5 funding which has been utilised to support the 'Fleetwood Market Outdoor Area/Digital Signage' and 'Market House Studios' schemes. A review of expenditure for these schemes has resulted in a transfer of funding of £20,000, which had originally been allocated to the 'Market House Studios' being utilised to fund digital signage on the 'Fleetwood Market' scheme.
- A review of the Vehicle Replacement Programme has resulted in some rephasing of vehicle purchases between the current and future years and some additional costs being reflected in the current year. This has resulted in a reduction totalling £139,318 in the 2020/21 capital budget.

- 5.2.2** The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2020/21:

| | Latest Estimate 2020/21 (£) |
|---|--|
| <u>Capital Schemes by Portfolio:</u> | |
| Neighbourhood Services and Community Safety | 6,417,855 |
| Planning and Economic Development | 573,362 |
| Resources | 3,499,987 |
| Street Scene, Parks and Open Spaces | 1,272,547 |
| | 11,763,751 |
| <u>Funding Sources:</u> | |
| Grants and Contributions | 8,189,265 |
| Revenue - Capital Investment Reserve | 105,379 |
| Revenue - IT Strategy Reserve | 255,802 |
| Revenue - Vehicle Replacement Reserve | 3,023,842 |
| Revenue - Value For Money Reserve | 101,613 |
| Capital Receipts | 87,850 |
| | 11,763,751 |

A more detailed breakdown by capital scheme can be seen in Appendix 1.

- 5.2.3** As per the above table, grants and contributions from third parties being applied to capital schemes in 2020/21 totals nearly £8.2m. These funds have been received from the following parties:

| Funding From | External Funding Applied in 2020/21 £ |
|---|--|
| Environment Agency | 4,213,065 |
| Government - Better Care Fund / Disabled Facility Grant Funding | 2,079,964 |
| Other third parties and individuals | 1,247,874 |
| Coastal Community Fund | 451,012 |
| Historic England – Heritage Action Zone | 122,350 |
| Regenda – Disabled Facility Grant Funding | 75,000 |
| | 8,189,265 |

5.3 Capital Programme – 2021/22 to 2025/26

- 5.3.1** The detailed Capital Programme 2021/22 to 2025/26, together with the method of funding for each scheme, is attached at Appendix 4.

5.3.2 Schemes that form part of the 2021/22 to 2025/26 Capital Programme relate to:

- Disabled Facilities Grants
- Vehicle Replacements
- Fleetwood HAZ

5.3.3 The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2021/22:

| | Original Estimate 2021/22 (£) |
|---|--|
| <u>Capital Schemes by Portfolio:</u> | |
| Neighbourhood Services and Community Safety | 1,833,127 |
| Planning and Economic Development | 516,000 |
| Resources | 393,495 |
| | <hr/> 2,742,622 |
| <u>Funding Sources:</u> | |
| Grants and Contributions | 2,349,127 |
| Revenue - Vehicle Replacement Reserve | 393,495 |
| | <hr/> 2,742,622 |

A more detailed breakdown by capital scheme and details for future years through to 2025/26 can be seen in Appendix 1.

5.4 Ongoing considerations

5.4.1 The building maintenance condition surveys indicate a total requirement over the next five years of an estimated £3m excluding a number of investment schemes and projects where further work is required before a recommendation can be made to proceed. These condition surveys were due to be updated in 2019/20, although work on these has started, owing to the pandemic there have been some delays and it is likely to continue into 2021/22. It is probable that further costs will be identified as part of this exercise. An updated list of the 2021/22 priorities will be taken to Overview and Scrutiny in early 2021 for consideration. The total estimated requirement of £3m is also subject to capital receipts being received.

5.4.2 At a Cabinet meeting in December 2020, Members considered 'Project Neptune', a capital investment to build new commercial space on land at Fleetwood Dock. Part of this project involves the council administering grant funding allocated from the 'Getting Building Fund' on behalf of the Lancashire LEP. The overall grant allocation totals just over £4m. Further costs in relation to this scheme will be incurred during 2021/22. Pending formal legal agreement, this scheme is not yet included in the Capital Programme.

- 5.4.3** The Wyre Beach Management scheme is being carried out in phases. The current scheme in the Capital Programme reflects the first phase. Future reports will be presented to the relevant Portfolio Holder as further scheme phases are agreed.
- 5.4.4** A key requirement of the MTFP is the long term planning of capital resources and the Capital Programme. The Prudential Code requires chief finance officers to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. In considering the affordability of its capital plans, the authority is required to consider all of the resources available to it, including those estimated for the future together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. With effect from the 2007/08 financial year, the council became reliant on borrowing to support capital expenditure. Long term borrowing totalling £3.552m has been drawn down and this value is used to calculate the Minimum Revenue Provision (MRP), which must be reflected in the revenue estimates.
- 5.4.5** The council has arranged its MRP policy as to ensure that assets or other expenditure having the shortest "charge" life are determined as being financed from capital receipts or other available resources. The extent of the council's borrowing obviously has an impact on the revenue account in the form of debt charges. An estimate of the debt charges and associated interest payments is reflected in the table below for the 2020/21 financial year with costs not falling further until 2024/25 when the 15 year lifespan assets drop out of the MRP calculation:

| Year | MRP per annum £ | Interest cost per annum £ | Total per annum £ |
|--------------------|----------------------------|--------------------------------------|------------------------------|
| 2020/21 to 2023/24 | 95,559 | 68,830 | 164,389 |
| 2024/25 | 89,994 | 68,830 | 158,824 |
| 2025/26 | 79,703 | 68,830 | 148,533 |

- 5.4.6** The Capital Investment Reserve was created in an effort to reduce the council's reliance on borrowing. This reserve will be used to meet known commitments, including the repair and maintenance of council assets and provide resources for future capital investment. The Capital Investment Reserve is reviewed as part of the annual budget preparation, the updating of the MTFP and as part of the closure of accounts process, with a view to minimising ongoing revenue costs. After funding existing commitments and with no new business cases with capital expenditure implications for 2021/22 onwards, the projected balance on the Capital Investment Reserve at 31 March 2021 is expected to be £457,940.

- 5.4.7** The council is currently holding further monies which do not form part of the proposed Capital Programme, however, they may be included if and when a scheme is developed and approved. These monies relate to the Community Housing Fund and Section 106 agreements.
- 5.4.8** An assessment of the risks associated with the MTFP is carried out annually and includes the likelihood, severity and level of risk together with the risk management procedures in place to control and monitor them. Appendix 5 of the MTFP report which was considered by Cabinet 18 November 2020 lists the major risks associated with financial planning and the controls in place to alleviate the risks.
- 5.4.9** The council's financial plans support the delivery of strategic plans for assets either through investment, disposals, rationalisation or more efficient asset use. Financial plans show how the financial gap between the need to invest in assets and the budget available will be filled over the long term (for example through prudential borrowing, rationalisation of assets, capital receipts, etc.). In order to avoid significant additional financial pressures, further capital disposals will be required to generate capital receipts to meet capital commitments. After funding existing commitments and with no new business cases with capital expenditure implications for 2021/22 onwards, the projected balance of Capital Receipts at 31 March 2021 is expected to be £743,705.

| Financial and legal implications | |
|---|---|
| Finance | The revenue implications of the proposed capital expenditure will be incorporated within the Council's Medium Term Financial Plan, which is subject to regular review. The draft Revenue Estimates will be considered by Cabinet at their meeting on the 17 February 2021 prior to being presented to Council at their meeting on 11 March. |
| Legal | None arising directly from the report. |

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

| risks/implications | ✓ / x |
|---------------------------|--------------|
| community safety | x |
| equality and diversity | x |

| risks/implications | ✓ / x |
|---------------------------|--------------|
| asset management | ✓ |
| climate change | x |

| | |
|-------------------|----------|
| sustainability | x |
| health and safety | x |

| | |
|-----------------|----------|
| ICT | x |
| data protection | x |

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

| report author | telephone no. | email | date |
|---------------|---------------|--|----------------|
| Clare James | 01253 887308 | clare.james@wyre.gov.uk | 5 January 2021 |

| List of background papers: | | |
|----------------------------|------|--------------------------------|
| name of document | date | where available for inspection |
| None | | |

List of appendices

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| Appendix 1 | Capital Programme and Funding 2020/21 – 2025/26 |
| Appendix 2 | 2020/21 Expenditure and Funding Changes and scheme year-end position as at 31 December 2020 review |
| Appendix 3 | Reserves position as at 31 December 2020 review |
| Appendix 4 | The Detailed Capital Programme 2021/22 onwards |