



Report of:	Meeting	Date
Councillor Michael Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	12 January 2022

Capital Budget 2021/22 and Capital Programme 2022/23 Onwards

1. Purpose of report

- 1.1** To consider the review of the 2021/22 Capital Programme and the progress of schemes for the nine month period, covering April 2021 through December 2021, undertaken by spending officers. Noting amendments to the Capital Programme since last reported to Cabinet on 20 October 2021 and the financial impact over the term of the Programme, through to the end of 2026/27.
- 1.2** To agree the latest Capital Budget 2021/22 and the Capital Programme for the financial year 2022/23 onwards.

2. Outcomes

- 2.1** The council's latest Capital Budget 2021/22 and the Capital Programme 2022/23 onwards.
- 2.2** A Capital Programme that supports the achievement of the Council's Business Plan objectives.

3. Recommendations

- 3.1** That the progress of, and expenditure incurred on, capital schemes for the first nine months of the 2021/22 financial year is noted.
- 3.2** That the Revised Capital Programme, and its funding, for the 2021/22 financial year totalling £15,042,598 be approved, noting the following specific amendments:
 - £65,748 expenditure on Improvements to Queen Elizabeth II Playing Field at Catterall with funding from Section 106 monies;
 - £160,417, additional expenditure on the Acquisition of Fish and Food Processing Units with funding from the Property Investment Reserve;

- £55,440 expenditure on CCTV improvements and related works at Fleetwood Market, and;
- Re-profiling of the Wyre Beach Management scheme over the life of the project where the lifetime cost of the scheme remains unchanged.

3.3 That the Capital Programme over the five year term from 2022/23 through to the end of 2026/27, totalling £53,218,046, 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 16 February 2022 and be subject to approval by Full Council at the meeting on 10 March 2022.

4. Background

4.1 Capital expenditure generally comprises the buying, construction or improvement of physical assets. Physical assets include buildings, land, vehicles and other miscellaneous items such as playground equipment and ICT equipment. 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, Department of Levelling Up, Housing and Communities 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; Appendix 4 provides details of this, showing schemes for the period 2022/23 to 2026/27. The proposed future Programme is informed by

previous years' strategies and projects this forward allowing for the current financial and political environment. 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 2021/22 programme, as at 31 December 2021, are contained in Appendix 2.

4.6 The Original Capital Budget for 2021/22 was set at £2,742,622. Details of the changes to funding since then (as shown in Appendix 1) can be found in the appropriate Cabinet, Audit Committee 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 2021/22 Capital Monitoring Period Nine (to 31 December 2021)

5.1.1 Appendix 2 shows actual costs and commitments totalling £6,632,216 up to the end of December against the full year budget of £15,042,598, representing an aggregate spend of 44%. The scheme variations of spend against full year budget are shown in Appendix 2. Creditor adjustments processed as part of the 2020/21 accounts process, totalling £63,000, for which invoices have yet to be received or processed, have been excluded from the actual costs and commitments figure provided above. These adjustments largely relate to outstanding retention payments and on-going software developments.

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 2022 is expected to be approximately £1,452,000. These amounts are still estimated and at this stage are not assumed to be required to be slipped in the forecast. The main factors are:

- £17,000 – Empty Homes

- £563,000 – Disabled Facilities Adaptations;
- £208,000 – Rossall Seawall Improvement;
- £35,000 – Restoration of the Mount;
- £298,000 – Vehicle Replacement Programme
- £18,000 – Parks and Open Spaces
- £313,000 – Innovative Resilience Fund ECO-CoBS

5.1.3 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.

Neighbourhood Services and Community Safety Portfolio

5.1.4 Disabled Facilities Mandatory Grants – actual spend up to period nine is £1,801,429. Officers anticipate an underspend of £563,000 this year owing to delays caused by the pandemic. There is a waiting list for adaptations which will utilise the underspend in 2022/23.

5.1.5 Rossall Seawall Improvement Works – currently this scheme is underspending owing to supply chain issues. Communication with the Environment Agency is on-going in relation to the use of the remaining funds and the full budget of £208,432 is expected to be slipped into 2022/23.

5.1.6 Wyre Beach Management – the project has been delayed as a result of Covid-19, amendments relating to the siting of the compound for the storage of rock and permissions from regulatory bodies. At present, work is progressing but the construction phase of the project will now not commence until early 2022/23. In consultation with the Environment Agency, funding claims have been submitted and are reflective of expenditure to date and forward commitments. These funds, once received, will be held as a capital grant receipt in advance until the relevant expenditure has been incurred.

5.1.7 Innovative Resilience Fund ECO-CoBS – the scheme has commenced but there is a delay in expenditure resulting from the ongoing complications associated with Covid-19 and £313,000 is expected to be slipped into 2022/23.

Resources Portfolio

5.1.8 Vehicle Replacement Programme (VRP) – the reserve reflects the funding set aside at year-end for the purchase and ongoing replacement of the refuse collection and other vehicles in 2022/23 and future years. The scheme is forecast to underspend by £298,000 owing to supply chain issues and this is expected to be slipped into 2022/23.

Planning and Economic Development Portfolio

- 5.1.9 All projects are currently on target to be completed before 31 March 2022.

Street Scene, Parks and Open Spaces Portfolio

- 5.1.10 Restoration of the Mount – The contractor has completed the core works associated with the project. Additional works to be carried out in 2022/23 is expected to require slippage of £35,000.

5.2 Capital Programme – 2021/22 Budget and Funding

- 5.2.1 The latest details of the Capital Budget for 2021/22 (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 2021):

- In October 2021, a Portfolio Holder decision approved a capital scheme for works to improve the public open space on Queen Elizabeth II Playing Fields, in Catterall. The overall scheme totals £65,748, with funding being provided from Section 106 monies received from developers. The funds will transferred to Catterall Parish Council. Terms of transfer will be subject to a legal agreement.
- In December 2021 additional funding of £160,417 was approved to support the acquisition and effective operation of the development of eleven commercial units at Fleetwood Docks, as initially approved by Cabinet on 2 December 2020.
- Also in December 2021 a scheme was approved to improve CCTV and related security measures at Fleetwood Market costing £55,440.
- Re-profiling of Wyre Beach Management scheme over the life of the project. Lifetime cost of the scheme remains unchanged.

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

	Latest Estimate 2021/22 £
<u>Capital Schemes by Portfolio:</u>	
Neighbourhood Services and Community Safety	5,145,780
Planning Policy and Economic Development	686,903
Resources	8,908,678
Street Scene, Parks and Open Spaces	301,237
	<hr/> 15,042,598
<u>Funding Sources:</u>	
Grants and Contributions	(11,525,563)

Revenue – Capital Investment Reserve	(129,690)
Revenue – IT Strategy Reserve	(69,504)
Revenue – Vehicle Replacement Reserve	(411,519)
Revenue – Value For Money Reserve	(87,163)
Revenue – Property Investment Reserve	(2,794,917)
Capital Receipts	(24,242)
	(15,042,598)

(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 2021/22 totals just over £11.5m. These funds have been received from the following parties:

Funding From	External Funding Applied in 2021/22 £
Environment Agency/DEFRA	2,142,213
Government - Better Care Fund / Disabled Facility Grant Funding	2,888,108
Other third parties and individuals	1,717,454
Coastal Community Fund	34,053
Historic England – Heritage Action Zone	638,350
Regenda – Disabled Facility Grant Funding	75,000
Getting Building Fund LEP Grant	4,030,385
	11,525,563

5.3 Capital Programme – 2022/23 to 2026/27

- 5.3.1** The detailed Capital Programme 2022/23 to 2026/27, together with the method of funding for each scheme, is attached at Appendix 4.

- 5.3.2** Schemes that form part of the 2022/23 to 2026/27 Capital Programme relate to:

- Cell Eleven Monitoring;
- Wyre Beach Management;
- 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 2022/23:

	Original Estimate 2022/23 £
<u>Capital Schemes by Portfolio:</u>	
Neighbourhood Services and Community Safety	9,084,388
Planning and Economic Development	855,000
Resources	155,200
	<u>10,094,588</u>
 <u>Funding Sources:</u>	
Grants and Contributions	(9,939,388)
Revenue - Vehicle Replacement Reserve	(155,200)
	<u>(10,094,588)</u>

(A more detailed breakdown by capital scheme and details for future years through to 2026/27 can be seen in Appendix 1.)

5.4 Ongoing considerations

5.4.1 The building maintenance condition surveys (now completed) indicate a total requirement over the next five years of an estimated £3.8m excluding a number of investment schemes and projects where further work is required before a recommendation can be made to proceed. An updated list of the 2022/23 priorities will be taken to Overview and Scrutiny in early 2022 for consideration. The total estimated requirement of £3.8m is also subject to capital receipts being received.

5.4.2 At a Cabinet meeting in December 2021, Members considered an update to '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.

5.4.3 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.

5.4.4 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 2021/22 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 £
2021/22 to 2023/24	95,559	68,830	164,389
2024/25	89,994	68,830	158,824
2025/26 to 2032/33	79,703	68,830	148,533

5.4.5 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 2022/23 onwards, the projected balance on the Capital Investment Reserve at 31 March 2022 is expected to be £1,498,566.

5.4.6 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.

5.4.7 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 20 October 2021 lists the major risks associated with financial planning and the controls in place to alleviate the risks.

5.4.8 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 2022/23 onwards, the projected balance of Capital Receipts at 31 March 2022 is expected to be £742,195.

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 16 February 2022 prior to being presented to Council at their meeting on 10 March 2022.
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
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	✓
climate change	✓
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	4 January 2022

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

List of appendices

- Appendix 1 Capital Programme and Funding 2021/22 – 2026/27
- Appendix 2 2021/22 Expenditure and Funding Changes and scheme year-end position as at 31 December 2021 review
- Appendix 3 Reserves position as at 31 December 2021 review
- Appendix 4 The Detailed Capital Programme 2022/23 onwards