



Report of:	Meeting	Date
Councillor David Henderson, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	11 January 2023

Capital Budget 2022/23 and Capital Programme 2023/24 Onwards

1. Purpose of report

- 1.1** To consider the review of the 2022/23 Capital Programme and the progress of schemes for the nine month period, covering April 2022 through December 2022, undertaken by spending officers. Noting amendments to the Capital Programme since last reported to Cabinet on 19 October 2022 and the financial impact over the term of the Programme, through to the end of 2027/28.
- 1.2** To agree the latest Capital Budget 2022/23 and the Capital Programme for the financial year 2023/24 onwards.

2. Outcomes

- 2.1** The council's latest Capital Budget 2022/23 and the Capital Programme 2023/24 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 2022/23 financial year is noted.
- 3.2** That the Revised Capital Programme, and its funding, for the 2022/23 financial year totalling £17,343,792 be approved, noting the following specific amendments:
 - £1,922,155 expenditure on Fleetwood Market Improvement Works, with funding from capital receipts;
 - £380,000 expenditure on the UK Shared Prosperity Fund projects, with funding from the Department for Levelling Up, Houses and Communities (DLUHC);

- £125,996 expenditure on ICT Cyber Resilience and Disaster Recovery measures, with funding from the IT Strategy Reserve;
- £7,000 deferral of expenditure for Jubilee Gardens Refurbishment to 2025/26, funded from capital receipts.

3.3 That the Capital Programme over the five year term from 2023/24 through to the end of 2027/28, totalling £57,245,754, 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 15 February 2023 and be subject to approval by Full Council at the meeting on 9 March 2023.

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, DLUHC 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 2023/24 to 2027/28. 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 2022/23 programme, as at 31 December 2022, are contained in Appendix 2.
- 4.6** The Original Capital Budget for 2022/23 was set at £10,094,588. 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 2022/23 Capital Monitoring Period Nine (to 31 December 2022)

- 5.1.1** Appendix 2 shows actual costs and commitments (including for future years within the capital programme) totalling £13,260,633, up to the end of December against the full year budget of £17,343,792; actual costs incurred and paid by the end of December total £7,928,810, reflecting a spend against budget of 46%. The scheme variations of spend against the full year budget are shown in Appendix 2. Creditor adjustments processed as part of the 2021/22 accounts process, totalling £928, 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 2023 is expected to be approximately £4,770,000. 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:
- £500,000 – Disabled Facilities Adaptations;

- £17,000 – Empty Homes;
- £208,000 – Rossall Seawall Improvement;
- £558,000 – Innovative Resilience Fund ECO-CoBS;
- £1,840,000 – Wyre Beach Management Scheme;
- £342,000 – Vehicle Replacement Programme;
- £951,000 – Fleetwood Market Improvement Works;
- £103,000 – Public Sector Decarbonisation Scheme;
- £218,000 – UK Shared Prosperity Fund Projects;
- £33,000 – Parks and Open Spaces.

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 £1,609,447. Officers anticipate an underspend of £500,000 this year owing to the lack of referrals from Lancashire County Council (LCC). LCC are paying for private Occupational Therapists to get through their waiting list backlog, so they should deliver far more referrals for Wyre in 2023/24. This will utilise the forecast underspend, which is expected to be slipped into 2023/24.

5.1.5 Rossall Seawall Improvement Works – currently this scheme is underspending owing to the delay of the Wyre Beach Management Scheme, as the scheme contractors, in conjunction, are carrying out these works. The full budget of £208,432 is expected to be slipped into 2023/24.

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. The setting up of the compound is complete. Phase 1 works will commence at the end of March 2023 and will complete in July 2023. Phase 2 is due to start following the completion of Phase 1 works. Dialogue is ongoing with the MMO to ensure the relevant licence is in place by March. However, should there be any delays to the issuing of the licence, then alternative plans will be put in place to ensure Phase 1 works can commence. The scheme is currently underspending against the 2022/23 profiled budget allocation and £1,840,000 is expected to be slipped into 2023/24. Following a review of current and future inflationary measures, directly affecting the expenditure for the Wyre Beach Management Scheme, a request has been submitted to the Environment Agency (EA) for an additional £11,700,363 of funding over the lifetime of the project. This request is currently being reviewed by the EA Large Project Review Group (LPRG) and is awaiting their approval.

- 5.1.7** Innovative Resilience Fund ECO-CoBS – the scheme has commenced but there has been a delay in expenditure owing to the absence of a dedicated project manager. We have recently appointed a project manager in October 2022, seconded from WSP, a leading engineering professional services firm. A meeting has been set up in January 2023 with the Project Manager, Head of Engineering and Finance to revise the current expenditure profile of the lifetime costs of the project, which will subsequently link to future claims to the Environment Agency. The project is forecast to underspend against the 2022/23 profiled budget allocation by £558,000 and this is expected to be slipped into 2023/24.

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 against the 2022/23 profiled budget allocation by £342,000 owing to supply chain issues and this is expected to be slipped into 2023/24. Owing to the uncertainty of current market conditions, global inflationary pressures, supply chain pricing variations and replacement vehicle availability, the council is presently reviewing all vehicle costs and residual values going forward with the impact to be reflected in future capital reports.
- 5.1.9** Fleetwood Market Improvement Works – the works are now being undertaken and will be completed in September 2023. This expenditure is part of a wider project for the upgrade of Fleetwood Market. Wyre Council are utilising the external funding from supplementary budgets as a priority as the expenditure is time limited.
- 5.1.10** Public Sector Decarbonisation Project – this project has been delayed owing to the detailed design taking longer than originally planned and a change of installation contractor. The works are now being undertaken and will be completed in June 2023. We are utilising the external funding of £999,468 from Salix by 31 March 2023 and the balance of £103,000, funded by capital receipts, will be slipped into 2023/24 if required.

Planning Policy and Economic Development Portfolio

- 5.1.11** UK Shared Prosperity Fund Projects –DLUHC were later than expected sending out the agreement for Wyre to sign. This has now been signed and we are soon to receive the capital funding totalling £380,000. This has led to a delay in the commencement of the programme and consequently is forecast to underspend against the 2022/23 profiled budget allocation by £218,000. Subject to approval from DLUHC, this is expected to be slipped into 2023/24 and we await confirmation.

Street Scene, Parks and Open Spaces Portfolio

- 5.1.12** Preesall Playing Fields Environmental Improvements – residue of budget of £20,000 is expected to be slipped into 2023/24 and to be combined with Section 106 monies expected that year. A future report will be presented to the relevant Portfolio Holder as the project is finalised.
- 5.1.13** Jubilee Gardens Refurbishment – funding of £7,000 has been removed from the 2022/23 Capital Programme as the site compound for the Wyre Beach Management Scheme will remain in place until 2026. The refurbishment of Jubilee Gardens can only be carried out following this date. A future report will be presented to the relevant Portfolio Holder and will incorporate additional Section 106 monies received.
- 5.1.14** King George’s Playing Field Phase 3 – permissions from Wyre Rivers Trust via the Environment Agency were granted in December 2022. The project will underspend in 2022/23 and £11,000 is expected to be slipped into 2023/24.
- 5.1.15** Scotts Green Playing Fields – the residue of 2022/23 budget, totalling £3,200, is expected to be slipped into 2023/24 and be used for additional expenditure in Hawthorne Park playground improvements.

5.2 Capital Programme – 2022/23 Budget and Funding

- 5.2.1** The latest details of the Capital Budget for 2022/23 (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 19 October 2022):

- In October 2022, Full Council approved a decision for a capital scheme for improvement works at Fleetwood Market, The overall scheme totals £1,922,155 with funding being provided from Capital Receipts;
- In November 2022 a decision to approve schemes contained within the Investment Plan for UK Shared Prosperity Fund (UKSPF) for £380,000, with funding from the DLUHC;
- In December 2022 a decision to approve the ICT Cyber resilience and Disaster Recovery measures project, with funding from the IT Strategy Reserve.

5.2.2 The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2022/23:

	Latest Estimate 2022/23 £
<u>Capital Schemes by Portfolio:</u>	
Neighbourhood Services and Community Safety	7,675,030
Planning Policy and Economic Development Resources	1,355,347
Street Scene, Parks and Open Spaces	8,098,571
	214,844
	<u>17,343,792</u>
<u>Funding Sources:</u>	
Grants and Contributions	(11,673,865)
Revenue – Capital Investment Reserve	(40,050)
Revenue – IT Strategy Reserve	(125,996)
Revenue – Vehicle Replacement Reserve	(512,902)
Revenue – Value For Money Reserve	(57,960)
Revenue – Property Investment Reserve	(2,794,917)
Revenue – Insurance Reserve	(16,962)
Capital Receipts	(2,121,140)
	<u>(17,343,792)</u>

(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 2022/23 totals just under £11.7m. These funds have been received from the following parties:

Funding From	External Funding Applied in 2022/23 £
Environment Agency	4,717,818
Government - Better Care Fund / Disabled Facility Grant Funding	2,841,753
Other third parties and individuals	284,479
Historic England – Heritage Action Zone	975,347
Regenda – Disabled Facility Grant Funding	75,000
Lancashire Economic Recovery & Growth Fund	1,400,000
Public Sector Decarbonisation Scheme	999,468
UK Shared Prosperity Fund	380,000
	11,673,865

5.3 Capital Programme – 2023/24 to 2027/28

5.3.1 The detailed Capital Programme 2023/24 to 2027/28, together with the method of funding for each scheme, is attached at Appendix 4.

5.3.2 Schemes that form part of the 2023/24 to 2027/28 Capital Programme relate to:

- Cell Eleven Monitoring;
- Wyre Beach Management;
- Innovative Resilience Fund ECO-CoBS
- Disabled Facilities Grants;
- Vehicle Replacements;
- Fleetwood HAZ;
- Changing Places Facilities –Wyre Estuary Country Park;
- UK Shared Prosperity Fund projects.

5.3.3 The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2023/24:

	Original Estimate 2023/24 £
<u>Capital Schemes by Portfolio:</u>	
Neighbourhood Services and Community Safety	17,489,950
Planning Policy and Economic Development	681,656
Resources	248,378
	<hr/> 18,419,984 <hr/>
<u>Funding Sources:</u>	
Grants and Contributions	(18,256,086)
Revenue - Vehicle Replacement Reserve	(149,500)
Capital Receipts	(14,398)
	<hr/> (18,419,984) <hr/>

(A more detailed breakdown by capital scheme and details for future years through to 2027/28 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 2023/24 priorities will be taken to Overview and Scrutiny in early 2023 for consideration. The total estimated requirement of £3.8m is also subject to capital receipts or other sources of funding being received. The estimates were produced prior to the Head of Built Environment's departure in the summer and are likely to be understated given the current economic climate and so should be treated with a higher level of caution than normal.

5.4.2 At a Council meeting on 27 October 2022, investment at Fleetwood

Market was approved for an additional £1,922,155 to deliver significant enhancement works to the fabric of Fleetwood Market Hall, including the replacement of the main hall slate roof, windows and doors to ensure longevity of the building’s lifespan and maintain a dry internal trading environment.

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 £3,552,000 had been drawn down and this value is used to calculate the Minimum Revenue Provision (MRP), which must be reflected in the revenue estimates. However, early repayment of the two remaining loans in October, totalling £1,552,000, means that the council no longer has any interest payments to make and is now debt free. The change is reflected in updated Prudential Indicators at Appendix 5.

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 2022/23 financial year with MRP 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 £
2022/23	95,559	37,062	132,621
2023/24	95,559	0	95,559
2024/25	89,994	0	89,994
2025/26 to 2032/33	79,703	0	79,703

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 enhancement 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 2023/24 onwards, the projected balance on the Capital Investment Reserve at 31 March 2023 is expected to be £1,537,212.

- 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 on 19 October 2022 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 2023/24 onwards, the projected balance of Capital Receipts at 31 March 2023 is expected to be £4,384,272.

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 15 February 2023 prior to being presented to Council at their meeting on 9 March 2023.
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
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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1	Capital Programme and Funding 2022/23 – 2027/28
Appendix 2	2022/23 Expenditure and Funding Changes and scheme year-end position as at 31 December 2022 review
Appendix 3	Reserves position as at 31 December 2022 review
Appendix 4	The Detailed Capital Programme 2023/24 onwards
Appendix 5	Prudential Indicators Q3 2022/23