



<b>Report of:</b>	<b>Meeting</b>	<b>Date</b>
Councillor Lesley MacKay, Resources Portfolio Holder and Clare James, Corporate Director Resources (and S.151 Officer)	Cabinet	10 January 2024

<b>Capital Budget 2023/24 and Capital Programme 2024/25 onwards</b>
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**Key decision:** Yes

**1. Purpose of report**

- 1.1** To consider the review of the 2023/24 Capital Programme and the progress of schemes for the eight month period, covering April 2023 through November 2023, undertaken by spending officers. Noting amendments to the Capital Programme since last reported to Cabinet on 18 October 2023 and the financial impact over the term of the Programme, through to the end of 2028/29.
- 1.2** To agree the latest Capital Budget 2023/24 and the Capital Programme for the financial year 2024/25 onwards.

**2. Corporate priorities**

- 2.1** The council's latest Capital Budget 2023/24 and the Capital Programme 2024/25 onwards.
- 2.2** A Capital Programme that supports the achievement of the Council Plan objectives.

**3. Recommendations**

- 3.1** That the progress of, and expenditure incurred on, capital schemes for the first eight months of the 2023/24 financial year is noted.
- 3.2** That the Revised Capital Programme, and its funding, for the 2023/24 financial year totalling £18,027,390 be approved. There have been no budget changes since the report published on 18 October 2023.

- 3.3** That the Capital Programme over the five year term from 2024/25 through to the end of 2028/29, totalling £54,610,577 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 14 February 2024 and be subject to approval by Full Council at the meeting on 7 March 2024.

#### **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. The council currently has no external borrowing.

**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 2024/25 to 2028/29. 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 Council 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 2023/24 programme, as at 30 November 2023, are contained in Appendix 2.

**4.6** The Original Capital Budget for 2023/24 was set at £18,419,984. Details of the changes to funding since then (as shown in Appendix 2) 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 2023/24 Capital Monitoring Period 8 (to 30 November 2023)**

**5.1.1** Appendix 2 shows actual costs and commitments (including for future years within the capital programme) totalling £14,928,683, up to the end of November against the full year budget of £18,027,390; actual costs incurred and paid by the end of November total £8,808,132 reflecting a spend against budget of 49%. The scheme variations of spend against the full year budget are shown in Appendix 2.

**5.1.2** As a result of the period eight review with spending officers, when compared to the current approved Budget, the predicted underspend as at 31 March 2024 is expected to be approximately £379,000. 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:

- Vehicle Replacement Programme - £346,000
- Empty Homes Delivery - £17,000
- Copse Road Depot Roller Shutter Doors - £10,000
- Replacement of core IT infrastructure - £6,000

**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.

#### **5.1.4 Neighbourhood Services and Community Safety Portfolio**

- 5.1.4.1** Disabled Facilities Mandatory Grants – actual spend up to period eight is £1,995,695 against a budget of £2,996,163. Backlogs in recent years are now reducing and the budget is expected to be fully utilised in year.
- 5.1.4.2** Rossall Seawall Improvement Works – there are further works to be completed during 2023/24 relating to concrete capping. This is expected to be completed by March 2024.
- 5.1.4.3** Wyre Beach Management – Additional funds were allocated from the Environment Agency during 2023/24 to account for increasing costs owing to inflationary pressures experienced in the construction industry. A revised contract amount has been agreed and works are progressing in line with the schedule agreed with the main contractor.
- 5.1.4.4** Our Future Coast – the scheme has commenced, and the budget has been re-profiled following conversations with the project team. Work is ongoing to ensure the schemes are delivered in a timely fashion.
- 5.1.4.5** Upgrade to CCTV network – Contracts were signed in November 2023 with a provider to deliver the scheme. A schedule of works is being developed with a view to complete the works by March 2024.

#### **5.1.5 Resources Portfolio**

- 5.1.5.1** 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 2023/24 and future years. The scheme is forecast to underspend against the 2023/24 profiled budget allocation owing to supply chain issues. This budget will be slipped into 2024/25. Owing to the uncertainty of current market conditions, global inflationary pressures, supply chain pricing variations and replacement vehicle availability, the council is continually reviewing all vehicle costs and residual values going forward with the impact to be reflected in future capital reports.
- 5.1.5.2** Fleetwood Market Improvement Works – the works are progressing although further delays mean completion is now expected in January 2024. This expenditure is part of a wider project for the upgrade of Fleetwood Market. There is a risk that the scheme may overspend by approximately £59,000, resulting from costs associated with the delay. If the overspends materialise, funding will be requested from Capital Receipts.
- 5.1.5.3** Public Sector Decarbonisation Project – Works on the decarbonisation project relating to Fleetwood Market continue as part of the broader scheme. The external funding from Salix has been fully utilised.

## 5.1.6 Planning Policy and Economic Development Portfolio

5.1.6.1 UK Shared Prosperity Fund Projects – Various projects are being undertaken funded by the UKSPF grant. The Department of Levelling up Housing and Communities (DLUHC) has advised that underspends in year can be carried forward into future years.

## 5.1.7 Street Scene, Parks and Open Spaces Portfolio

5.1.7.1 Preesall Playing Fields Environmental Improvements – of the remaining budget of £20,000 is expected to be slipped into 2024/25 and combined with Section 106 monies expected that year. A future report will be presented to the relevant Portfolio Holder as the project is finalised.

5.1.7.2 King George's Playing Field Phase 3 – permissions from Wyre Rivers Trust via the Environment Agency were granted in December 2022. Works are expected to be completed by March 2024.

## 5.2 Capital Programme – 2023/24 Budget and Funding

5.2.1 The latest details of the Capital Budget for 2023/24 (including the method of funding for each scheme) is attached at Appendix 1. There have been no changes to the budget following the last report to Members as at 18 October 2023.

5.2.2 Appendix 1 summarises expenditure by Portfolio and the methods of financing capital expenditure in 2023/24:

A more detailed breakdown by capital schemes can be seen in Appendix 2.

5.2.3 As per the above table, grants and contributions from third parties being applied to capital schemes in 2023/24 totals £15.6m. These funds have been received from the following parties:

<b>Funding Source</b>	<b>Budgeted Amount 2023/24 £</b>
Environment Agency	11,721,474
Disabled Facilities Grant	2,996,163
Historic England	277,738
UKSPF	268,806
Other (Incl. PCC, Friends of Memorial Park and Friends of Preesall Park).	144,123
Rural England Prosperity Fund	100,000
Changing Places	87,454
s106	27,827
<b>TOTAL</b>	<b>15,623,585</b>

### 5.3 Capital Programme – 2024/25 to 2028/29

5.3.1 The detailed Capital Programme 2024/25 to 2028/29, together with the method of funding for each scheme, is attached at Appendix 4.

5.3.2 The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2024/25:

	<b>Original Estimate 2024/25 £</b>
<u>Capital Schemes by Portfolio:</u>	
Neighbourhood Services and Community Safety	18,875,305
Planning Policy and Economic Development	774,222
Resources	302,500
	<b><u>19,952,027</u></b>
<u>Funding Sources:</u>	
Grants and Contributions	(19,649,527)
Revenue - Vehicle Replacement Reserve	(302,500)
	<b><u>(19,952,027)</u></b>

### 5.4 Ongoing considerations

5.4.1 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 2022, totalling £1,552,000, means that the council no longer has any interest payments to make and is now debt free.

5.4.2 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 2023/24 financial year with MRP costs falling in 2024/25

and 2025/26 when the assets with shorter (e.g. 15 years) useful lives drop out of the MRP calculation:

Year	MRP per annum £	Interest cost per annum £	Total per annum £
2023/24	95,559	0	95,559
2024/25	89,994	0	89,994
2025/26 to 2032/33	79,703	0	79,703

- 5.4.3** 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 2024/25 onwards, the projected balance on the Capital Investment Reserve at 31 March 2024 is expected to be £1,920,094, as per Audit Committee 26 September 2023.

- 5.4.4** 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 Section 106 agreements.

Description	Amount
General (includes public open space, flood remediation schemes etc.)	£373,422
Affordable Housing	£1,285,463
Other Entities (held temporarily on behalf of a third party)	£157,151
<b>Total on account</b>	<b>£1,816,036</b>
Allocated to Capital Programme 2023/24	£27,827
<b>Balance</b>	<b>£1,843,863</b>

- 5.4.5** 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 18 October 2023 lists the major risks associated with financial planning and the controls in place to alleviate the risks.

**5.4.6** 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.). 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 2024/25 onwards, the projected balance of Capital Receipts at 31 March 2024 is expected to be £3,884,361.

**6. Alternative options considered and rejected**

**6.1** No alternative options have been considered in relation to this report.

<b>Financial, Legal and Climate Change implications</b>	
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 14 February 2024 prior to being presented to Council at their meeting on 7 March 2024.
Legal	None arising directly from the report.
Climate Change	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.

<b>risks/implications</b>	<b>✓ / x</b>
community safety	x
equality and diversity	x
health and safety	x

<b>risks/implications</b>	<b>✓ / x</b>
asset management	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.

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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 2023/24 – 2028/29
- Appendix 2      2023/24 Expenditure and Funding Changes and scheme year-end position as at 30 November 2023 review
- Appendix 3      Reserves position as at 26 September 2023 Audit and Standards Committee
- Appendix 4      The Detailed Capital Programme 2024/25 onwards
- Appendix 5      Prudential Indicators Q3 2023/24