Report of:	Meeting	Date
Councillor A Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	15 January 2020

Capital Budget 2019/20 and Capital Programme 2020/21 Onwards

1. Purpose of report

1.1 To agree the latest Capital Budget 2019/20 and the Capital Programme for the financial year 2020/21 onwards.

2. Outcomes

2.1 The council's latest Capital Budget 2019/20 and the Capital Programme 2020/21 onwards.

2.2 A Capital Programme that supports the achievement of the Council's corporate objectives.

3. Recommendations

3.1 That the latest Capital Budget for 2019/20 and the Capital Programme for 2020/21 onwards be agreed, subject to the confirmation of disabled facilities grant at the levels assumed.

3.2 That the financial implications of the Capital Budget and future Capital Programme, following the third quarter review (April to end December 2019), be reflected in the draft Revenue Estimates which will be considered by Cabinet at their meeting on the 12 February 2020 and be subject to approval by Council at the meeting on the 5 March 2020.

4. Background

4.1 Previously, credit approvals from central government set the limit of a local authority's long-term borrowing, and attracted Revenue Support Grant towards the financing costs of loans such as interest and principal repayments. With the Prudential Code, however, the local authority is free to make its own borrowing decisions according to what it can afford.

4.2 Central government support for borrowing through Revenue Support Grant was replaced back in 2006/07 by capital grant. The council received an allocation of £1,833,127 for Disabled Facilities Grants (DFGs) in 2019/20 from the Better Care Fund provided by the Department of Health via Lancashire County Council who act as the accountable body. The aim of the Better Care Fund is to bring about integration of health and social care and plans for use of the pooled monies must be signed off by the Health and Wellbeing Board. The Cabinet report on 16 October 2019 reported an additional £75,000 funding from Regenda but as £70,000 had already been assumed in the base this additional funding should have been reported as £5,000. The remaining £70,000 was an increase in the Better Care Funding with no impact overall. The council has not yet been notified of the 2020/21 allocation but £1,833,127 has been assumed at this stage. The council has also assumed a budget of £20,000 for 2020/21 for the remaining year of a five year programme allocated and funded by the Environment Agency for the Cell Eleven (Coastal Monitoring) scheme. Funding has been made available to us through Sefton Council on a quarterly basis. No extension to this programme has been assumed in the Capital Programme beyond 2020/21 at this stage although it is expected that the scheme's extension will be announced in due course.

5. Key issues and proposals

5.1 The latest detailed Capital Budget for 2019/20 (including the method of funding for each scheme) is attached at Appendix 1 and reflects the update from spending officers following the end of the third quarter review. An explanation of the amendments resulting from the third quarter review can be seen at Appendix 2a and 2b.

5.2 Capital schemes are assessed in accordance with the Council's priorities as reflected in the Business Plan and the criteria specified in the Medium Term Financial Plan. The building maintenance condition surveys indicate a total requirement over the next five years of an estimated £2.9m, including a number of investment schemes and projects where further work is required before a recommendation can be made to proceed. These condition surveys are due to be updated in 2019/20 but work on these is likely to continue into 2020/21. It is probable that further costs will be identified as part of this exercise. The limited capital funds that are currently available have resulted in no new business cases with capital expenditure implications being submitted for consideration by Overview and Scrutiny in the current year. This means that the principle behind the capital bid agreed by the committee at their meeting 7 December 2015 will continue to be supported and as it was then noted, the projects listed were simply the current priorities, which have varied over time. As such, an updated list of the 2020/21 priorities will be taken to Overview and Scrutiny in early 2020 for consideration. The total estimated requirement of £2.9m is also subject to capital receipts being received.

5.3 The detailed Capital Programme 2020/21 onwards, together with the method of funding for each scheme, is attached at Appendix 3 and includes ongoing expenditure from previous approvals.

5.4 The summary Capital Programme 2019/20 to 2024/25 is attached at Appendix 4.

5.5 The following table summarises expenditure by Portfolio and the methods of financing capital expenditure in 2019/20 and 2020/21.

Wyre Borough Council - Capital Budget 2019/20 and Programme 2020/21

	Latest Estimate 2019/20 £	**Original Estimate 2020/21 £**
Leisure, Health & Community Engagem't	187,581	0
N'bourhood Servs and Community Safety	3,809,584	1,870,176
Planning and Economic Development	643,730	58,000
Resources	3,196,925	641,200
Street Scene, Parks and Open Spaces	1,993,288	798,010
TOTAL FINANCING REQUIREMENT	9,831,108	3,367,386
Grants and Contributions	5,604,407	2,700,856
Revenue	4,209,506	641,200
Capital Receipts	17,195	25,330
Borrowing	0	0
TOTAL FINANCING	9,831,108	3,367,386

5.6 The financing reflects capital receipts arising from the disposal of land at Siding Road, Fleetwood. The availability and application of capital receipts has been assumed as reflected in the table below.

CAPITAL RECEIPTS	**£**
Balance at 31st March 2019	**731,568**
Anticipated (Net) Receipts in Year	15,000
Applied in Year (Incl. costs to sell)	-17,195
Balance at 31st March 2020	**729,373**
Anticipated (Net) Receipts in Year	0
Applied in Year (Incl. costs to sell)	-25,330
Balance at 31st March 2021	**704,043**
Anticipated (Net) Receipts in Year	0
Applied in Year	0
Balance at 31st March 2022	**704,043**

Anticipated (Net) Receipts in Year	0
Applied in Year	0
Balance at 31st March 2023	**704,043**
Anticipated (Net) Receipts in Year	0
Applied in Year	0
Balance at 31st March 2024	**704,043**
Anticipated (Net) Receipts in Year	0
Applied in Year	0
Balance at 31st March 2025	**704,043**

5.7 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. Indeed, 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 at 31 March 2013 has been drawn down and this value is used to calculate the Minimum Revenue Provision (MRP), which must be reflected in the revenue estimates.

5.8 The arrangements for calculating MRP, which were introduced during 2007/08, require the period over which MRP is charged to be aligned with the estimated life of the asset. This could result in an increased MRP charge if expenditure, such as that on playground equipment, is spread over say 15 years and the council has therefore chosen to arrange 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 2018/19 financial year with costs not falling further until 2024/25 when the 15 year lifespan assets drop out of the MRP calculation:

Year	Minimum Revenue Provision p.a.	Interest (@ 4.41% and 4.48%) p.a.	Total p.a.
	£	£	£
2019/20 to 2023/24	95,559	68,830	164,389
2024/25	89,994	68,830	158,824

5.9 In an effort to reduce the council's reliance on borrowing, and following concerns about the sustainability of continuing to borrow in the current economic climate, a Capital Investment Reserve was created as part of the 2009/10 closure of accounts. This funding 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 2020/21, the projected balance on the Capital Investment Reserve at 31 March 2020 is expected to be £464,826. As the capital investment for the health and fitness equipment at Poulton and Thornton Leisure Centres is recovered from the YMCA the reserve will increase by £82,990 in the final year 2019/20.

5.10 The council received £377,974 from the Community Housing Fund at the beginning of 2017 part of which has been used for Revenue, the remainder of which is not currently on the Capital Programme but will be included if and when a scheme is developed and approved. Officers have also yet to develop schemes using the following Section 106 monies; £26,033 for watercourse/flood alleviation; £131,250 for Public Open Space and £282,242 for affordable homes.

5.11 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 16 October 2019 lists the major risks associated with financial planning and the controls in place to alleviate the risks.

5.12 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.

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 12 February 2020 prior to being presented to Council at their meeting on 5 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
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	✓
climate change	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	03.01.20

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

List of appendices

Appendix 1 - The Latest Capital Budget 2019/20.

Appendix 2a - 2019/20 Quarter 3 Review.

Appendix 2b - 2019/20 Quarter 3 Expenditure and Funding Changes.

Appendix 3 - The Detailed Capital Programme 2020/21 onwards.

Appendix 4 - The Summary Capital Programme 2019/20 to 2024/25.