

**REPORT OF: CHIEF EXECUTIVE**

**TO: POLICY AND RESOURCES COMMITTEE**

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## **CAPITAL PROGRAMME – PROVISIONAL OUTTURN 2020/21**

### **PURPOSE OF REPORT**

1. This report is to inform the Policy and Resources Committee of the provisional outturn position on the Capital Programme for 2020/21.

### **RECOMMENDATIONS**

2. The Policy and Resources Committee is recommended:-
  - a) note the provisional outturn position on the Council's Capital Programme for 2020/21;
  - b) approve the proposals for slippage in the programme from 2020/21 to 2021/22.

### **REASONS FOR RECOMMENDATION**

3. To inform the Policy and Resources Committee of the provisional outturn position for the Council's Capital Programme in 2020/21.

### **ISSUE**

#### *2020/21 Approved Capital Programme*

4. At the Council meeting on 27<sup>th</sup> February 2020, Councillors approved a capital programme of £20.566m for 2020/21. At that time, the Programme comprised new schemes totaling £6.880m and estimated slippage of £13.686m. During the year, there have been a number of adjustments to the Capital Programme and these can be summarised as follows:-
  - a) additional budget provision arising from actual slippage brought forward from 2019/20. This amounted to £42k (actual slippage was £13.728m) over and above slippage already assumed in the Programme ([see Appendix A, Column 4](#));

b) changes to the Programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the Programme totaling £2.067m (see Appendix A, Column 5).

5. Taking into account these adjustments, the overall Capital Programme for 2020/21 totals £18.542m (see Appendix A, Column 6).

Final (pre-audit) Capital Programme Outturn Position 2020/21

6. The final (pre-audit) outturn position for the Capital Programme is expenditure of £5.534m, a net underspend of £13.007m when compared to the revised budget for the year. This is summarised in Table 1 below:-

**Table 1: Capital Outturn 2020/21 (pre-slippage)**

|   | Revised Budget<br>£000 | Final Outturn<br>£000 | Variance<br>£000 |
|---|------------------------|-----------------------|------------------|
| Private Sector Housing                              | 4,290                  | 1,658                 | (2,633)          |
| Environmental, Roads, Street Lighting & Road safety | 287                    | 103                   | (184)            |
| Resource Procurement                                | 10,835                 | 2,517                 | (8,319)          |
| Asset Renewal                                       | 1,112                  | 239                   | (873)            |
| Waste Collection                                    | 123                    | 113                   | (10)             |
| Area Committees                                     | 926                    | 305                   | (620)            |
| Other General Capital Schemes                       | 969                    | 600                   | (369)            |
| <b>Total Capital Programme</b>                      | <b>18,542</b>          | <b>5,534</b>          | <b>(13,007)</b>  |

Source: Appendix A

7. The net underspend is made up of budgets that are committed but have not yet been spent, some projects that will not go forward and overspends on some projects. These three elements are detailed at **Appendix A (Col 8 – Variations and Col 9 – Slippage)**. Resources to meet the costs of budgets that are committed will also be slipped into 2021/22, subject to the Policy and Resources Committee’s consideration here.

8. Before considering Scheme Slippage for 2020/21, it is worthwhile explaining the major variations in the Programme as shown in Table 1 above:-

o **Private Sector Housing Projects** – There is an underspend on housing projects of £2.633m. This comprises variations on the following schemes:-

o *Northlight (Brierfield Mill)(underspend of £310k)* – This relates primarily to the funding required to pay compensation following the compulsory purchase (CPO) of the various freeholds interests in and around the site. Whilst the CPOs of these site interests have been concluded, the negotiations on compensation have not hence the remaining budget provision;

o *Bradley (underspend of £116k)* – This underspend reflects the residual funding set aside for the acquisition of properties and site clearance in Bradley. It is particularly associated with the cleared site on Bankhouse Road, Bradley where the Council is working with Calico Housing on the potential development of an Extra Care Facility;

- *Empty Clusters Funding (underspend of £549k)* – This funding was originally set aside for Empty Homes Loans. Take-up of these loans is generally low with most homeowners preferring to undertake repairs to their properties using their own finance rather than taking a loan from the Council. The fund is now being used to support the acquisition of empty properties by CPO as previously approved by the Committee;
- *Contribution to Social Housing (underspend of £173k)* – This unspent budget is being carried forward to 2021/22 and has been largely committed to provide the Council's contribution to the PEARL Together Joint Venture partnership with both Barnfield Investment Properties and Together Housing. As a reminder to Councillors, any contribution made by the Council to the Joint Venture represents 15% of the overall funding contribution with the balance of 85% coming from other partners;
- *Disabled Facilities Grants (underspend of £1.436m)* – This Committee considered a report on the programme of providing Disabled Facilities Grants at its last meeting. As indicated in that report, whilst this budget is underspent due to the timing of the delivery of projects, the funding for the year has been fully committed.
- **Environmental, Road, Flooding etc** – There is an underspend on Environmental, Road, Flooding etc projects of £183k. The main areas of unspent funding include:-
  - £58k for Flood Alleviation projects in Earby. This funding represents in part the Council's contribution towards the flooding schemes planned for Earby;
  - An underspend of £44k for Highways Works on Red Lane, Colne. Whilst some additional works may be required, it is likely that not all of this budget may be required for this Scheme. A review of the budget provision will be undertaken in 2021/22;
  - A £30k underspend on improvements to collapsed footpath in Trawden as previously agreed by the Policy and Resources Committee; work on this project will take place in 2021/22. Similarly, there is an underspend of £48k on a shared use path on Colne Road Barrowford at the year end. The works on this path have since been completed.
- **IT Strategy** – The unspent budget of £346k is being carried forward in support of the continuing implementation of the ICT Strategy was agreed by the Policy and Resources Committee last November. Amongst other things, the programme of work will include an upgrade to the Council's Telephony System, replacement of the Network Switches and the continued roll-out of Microsoft Office 365;
- **Area Committees** – The underspend on Area Committee Capital Programmes is £620k as at 31<sup>st</sup> March 2021. The whole balance of the underspend is to be carried forward to 2021/22;
- **Resource Procurement** – The underspend on Resource Procurement of £8.319m comprises primarily a range of multi-year projects as follows:-
  - Economic Development Opportunities – this underspend of £1.493m stems from funding previously allocated to the extension of Lomeshaye Industrial Estate Phase 1. It is earmarked as match funding for economic development bids such as, for example, the Town Deal, the Levelling Up Fund and the UK Community Renewal Fund;
  - PEARL Projects – the underspend of £579k is being held as the Council's contribution towards PEARL Projects;

- Extension of Lomeshaye Industrial Estate (Phase 1) – as Councillors will be aware, the delivery of the extension is now well underway and the underspend of £2.827m is entirely committed to delivery of the Scheme;
- Brownfield Regeneration Fund – this budget is underspend by £1.413m. Around c£400k is committed to projects on the delivery of new houses/commercial space as previously agreed (but not yet paid given any contributions are payable on completion of schemes). Subject to confirmation of the outcome of the Council’s bid, the balance is earmarked as support to the Nelson Town Deal;
- Further Clough Head – again, this project is underway with the focus on the Council’s activity being the delivery of the access road into the site. This is almost completed and the underspend of £765k is fully committed to this.
- **Asset Management** – The key areas of underspend are:-
  - on the budget for General Asset Renewal of £298k. This budget is held to deal with property health and safety matters that might arise where the Council is required to undertake works.
  - an underspend of £162k on the budget for improvements to Leisure Trust facilities. A report on this matter will be considered by Committee in August 2021.

Scheme Slippage 2020/21

9. Slippage relates to schemes that were not completed by 31<sup>st</sup> March 2021 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £13.031m. An analysis of these Schemes is provided at **column 9 of Appendix A**. The following table shows the capital outturn position adjusted for slippage:-

**Table 2: Capital Outturn 2020/21 (post slippage)**

|                                    | Variance<br>(pre<br>Slippage)<br>£000 | Slippage<br>£000 | Variance<br>(Post<br>Slippage)<br>£000 |
|------------------------------------|---------------------------------------|------------------|--|
| Private Sector Housing             | (2,633)                               | 2,633            | -                                      |
| Environmental, Roads, Flooding etc | (184)                                 | 183              | (1)                                    |
| Resource Procurement               | (8,319)                               | 8,325            | 6                                      |
| Asset Renewal                      | (873)                                 | 872              | (1)                                    |
| Waste Collection                   | (10)                                  | 22               | 12                                     |
| Area Committees                    | (620)                                 | 620              | -                                      |
| Other General Capital Schemes      | (369)                                 | 376              | 7                                      |
| <b>Total Capital Programme</b>     | <b>(13,007)</b>                       | <b>13,031</b>    | <b>24</b>                              |

10. As Table 2 indicates, taking account of programme slippage of £13.031m, the Programme is overspent by £24k in 2020/21.

Available Capital Resources 2020/21 (excluding Borrowing)

11. The original estimate of available resources for capital expenditure in 2020/21, as reported to Council in February 2020, was £6.880m. The final budgeted resources for 2020/21, taking into account adjustments for slippage from 2019/20 and other resources expected to be received during the year, amount to £18.542m.
12. A summary of the movement in available resources is provided at [Appendix B](#).

Application of Capital Resources 2020/21

13. The approach to financing the Council's Capital Programme is delegated to the Council's Chief Finance Officer who has a responsibility to determine the most appropriate method of financing capital expenditure incurred in the year. Within the context of the Prudential Code for Capital Finance in Local Authorities, it is prudent to use all cash resources in hand to finance expenditure in the first instance to ensure the Capital Financing Requirement, the notional measure of debt upon which debt charges are based, is minimised.
14. Capital receipts of £1.758m have been used to fund expenditure during the year.
15. The approved revenue contribution to capital expenditure of £188k has been used in full both to meet the cost of those schemes to which it has been attributed.
16. During the year the Council used various grants and contributions totaling £3.589m. These included the following:-
  - a) £926k from the Disabled Facilities Grants (Better Care Fund) allocation towards the provision of grants to the residents of Pendle;
  - b) £735k from Homes England towards the cost of the access road at Further Clough Head;
  - c) £1.018m from Lancashire County Council for the extension of Lomeshaye Industrial Estate Phase 1;
  - d) An amount of £575k for the acquisition of both Trafalgar House and 39/41 Scotland Road in Nelson funded by a grant from MHCLG as part of the Town Deal arrangement;
17. Finally, £328k from various Developers Contributions were originally planned to be used to support expenditure in the Programme. Of this amount, £106k was used to finance expenditure in 2020/21 with the balance carried forward to 2021/22.
18. As a consequence of the financing decision set out above, there has been no requirement to undertake any prudential borrowing in 2020/21.

Resources carried forward to 2021/22

19. Table 3 below summarises the net amount of resources that will be carried forward to 2013/14:-

**Table 3: Resources Carried Forward to 2013/14**

|  | <b>£000</b>   |
|--|---------------|
| Resources Available (see Appendix B)               | 18,541        |
| <b>Less:</b> Expenditure Financed (see Appendix A) | (5,534)       |
| <b>Sub Total</b>                                   | <b>13,007</b> |
| Add Overspend to be funded                         | 24            |
| <b>Balance of Resources c/fwd</b>                  | <b>13,031</b> |

20. It is proposed to use the Net Available Resources carried forward to 2021/22 as shown in Table 4 below:-

**Table 4: Use of Resources Carried Forward**

|  | <b>£000</b>   |
|--|---------------|
| Net Available Resources c/fwd to 2021/22 (see Table 3 above) | 13,007        |
| Add: Change in Prudential Borrowing                          | 36            |
| Less: Net Reduction in Resources                             | (12)          |
| <b>Total Funding for Slippage in 2021/22</b>                 | <b>13,031</b> |

## **IMPLICATIONS**

### **Policy**

21. The application of capital resources is undertaken within the objectives of the Council's Capital Strategy and Land and Asset Management Plan, both of which have been prepared with the intention that capital investment and performance will support the delivery of the Council's key corporate priorities.

### **Financial**

22. The financial implications are as given in the report.

### **Legal**

23. There are no legal implication arising directly from this report.

### **Risk Management**

24. There are no risk management implications arising from this report.

### **Health and Safety:**

25. There are no Health and Safety implications arising directly from this report.

**Climate Change:**

26. There are no climate change implications arising directly from this report. There are capital projects where sustainability is considered as part of the development of the project and where possible this is in compliance with the Council's policy on these matters.

**Community Safety:**

27. There are no community safety issues arising directly from the contents of this report.

**Equality and Diversity:**

28. There are no equality and diversity issues arising from the contents of this report.

**APPENDICES**

Appendix A - Capital Programme – Provisional Outturn (Expenditure) 2020/21

Appendix B - Capital Resources – Provisional Outturn (Resources) 2020/21

**LIST OF BACKGROUND PAPERS - Capital Programme Working Papers 2020/21**