

REPORT OF: CHIEF FINANCE OFFICER

TO: SPECIAL BUDGET POLICY AND RESOURCES COMMITTEE

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CAPITAL PROGRAMME 2022/23

PURPOSE OF REPORT

The purpose of this report is to seek approval to the proposed capital programme for 2022/23.

RECOMMENDATIONS

That the Committee make the following recommendations to Council:-

- a) note the forecast outturn position on the Council's capital programme for 2020/21 as shown at **Appendix A** and detailed in the report;
- b) approve the proposed capital programme for 2022/23 as shown in **Appendix B**;
- c) grant delegated authority to the Chief Finance Officer, to determine the most appropriate method of financing the capital programme for 2022/23 to ensure the use of resources is optimised by the Council;
- d) To review and remove slippage older than 12 month from the capital programme to allow resources to be allocated to high priority schemes (except for ring fenced grant funded scheme);
- e) To note the Prudential Indicators as shown in **Appendix C**.

REASON FOR RECOMMENDATIONS

To seek approval to the revised capital programme for 2021/22 and the capital programme for 2022/23.

ISSUE

1. Due to the changes in key personnel within the Finance function limited work has been done during the financial year to develop the capital programme since it was agreed at the Policy & Resources Committee in February 2021. Members should therefore be aware

that further work is required to validate and firm up proposal for the year 2022/23 and future years.

2. This report is based largely on the report taken to Policy & Resources committee on 11th February 2021 but updated to reflect the actual spend up to 31st December 2021, the forecast outturn position for 2021/22 and known changes such as the Nelson Town Deal and Levelling up Fund.
3. The report also reflects observations in the level of slippage in the current capital programme. It is recommendation to review and remove slippage equivalent to a full year budget from the existing capital programme unless the scheme is funded from ring fence grant or if there is a good reason to move the spend in to future years. This is to allow scarce resources to be directed towards the key capital schemes identified by the Council.

Forecast Capital Outturn 2021/22

4. Table 1 below provides a summary of the Capital Programme for 2021/22 with a more detailed analysis provided at **Appendix A**. Actual expenditure at 31st December 2021 amounted to £3.373m. The projected expenditure at year end is £6.992m. Comparing this with the approved programme of £18.179m gives an underspend of £11.442m before account is taken of project slippage.

Table 1: Capital Programme 2021/22

Scheme	Brought Forward	2021/22 Programme	Actual 31/12/2021	Expected Outturn	Expected Slippage
Private Sector Housing	2,633,030	3,738,030	396,161	1,835,950	2,427,280
Environment & Drainage	182,690	1,582,690	39,786	151,285	1,497,450
Waste Collection	21,930	136,930	124,080	145,000	6,930
Other Capital Schemes	375,930	903,450	138,013	511,070	436,450
Area Committees	620,410	790,410	235,902	320,000	470,410
Regeneration Schemes	8,324,590	9,663,210	2,202,693	3,822,001	5,920,810
Corporate Property Maintenance	460,820	858,320	83,844	81,000	803,320
Parks and Recreation	411,560	506,560	152,636	126,000	405,060
Total	13,030,960	18,179,600	3,373,115	6,992,306	11,967,710

5. The current levels of slippage are a concerned in as much that they distort the programme and prevent a focused approach to delivery and spend. In future the programme will look over multiple years to allow schemes to be planned out over the medium term.
6. Table 2 below summaries the expected available capital resources for 2021/22.

Table 2: Capital Resources 2021/22

Capital Resources	£
Capital Receipts	1,343,420
Revenue Contributions	0
Capital Grants	8,025,180
Other Funding (eg S106)	222,730
Prudential Borrowing	8,588,270
Total	18,179,600

7. Prudential Borrowing is necessary where there are insufficient capital cash resources to finance capital expenditure. The Capital Programme as set out is funded from budgeted borrowing and will be carried forward to future years to finance project slippage.

Proposed Capital Programme for 2022/23

8. Table 3 below summarises the proposed capital programme for 2022/23. More detail is provided in **Appendix B**.

Table 3 – 2022/23 Proposed Capital Programme

Scheme	Slippage Brought Forward	2022/23 Scheme	Final Programme
Private Sector Housing	2,427,280	850,000	3,277,280
Environment & Drainage	1,497,450	-	1,497,450
Waste Collection	6,930	63,070	70,000
Other Capital Schemes	436,450	170,000	606,450
Area Committees	470,410	170,000	790,410
Regeneration Schemes	5,920,810	3,526,311	9,447,121
Corporate Property Maintenance	803,320	-	803,320
Parks and Recreation	405,060	19,810	424,870
Total	11,967,710	4,799,191	16,916,901

9. The following narrative provides a summary of the main items of expenditure forming the proposed capital programme for 2022/23. In total the value of capital expenditure is estimated at £4.799m (excluding slippage from the current year), in line with the current level of estimated resources. This position will be monitored during the year to ensure spend is aligned with resources.

Private Sector Housing

10. New spend in the year will focus on the delivery of Disabled Facilities Grant (DFG) where provision of £850k is made. As in the current year, the proposed expenditure on Disabled Facilities Grants (inclusive of fees) matches the assumed level of grant funding from the Better Care Fund. Any variation in funding will be mirrored in the expenditure budget once funding has been confirmed for next year.

Waste Collection

11. This budget assumes provision for replacement wheeled bins for Residential and Trade Waste.

Other General Schemes

12. This comprises the *Capitalised Salaries* - £170k has been included in the budget to meet the estimated cost of capitalised salaries for the year.

Corporate Property Maintenance

13. The Asset Renewal budgets provides for investment in the Council's Leisure Facilities, refurbishment of car parks and capital works on watercourse and flood alleviation measures. For the moment it is assumed that the level of carry forward is sufficient to cover the programme in 2022/23.

Parks / Recreation Services

14. The only additional relates to increasing the vehicle replacement budget to £150k for the year.

Area Committees

15. Total funding for Area Committees in 2022/23 has been maintained at £170,000 and, as in the current year, is wholly for capital expenditure. Members are reminded of this restriction as a number of recent bids to Area Committees have had to be turned down because of this. Reports in previous years indicated that Area Committee budgets would be funded from capital receipts. It is recommended that Area Committee budgets fall in to line with the general recommendation to cap slippage at 12 months full budget but this would come in to effect for 2023/24 giving each Committee time to clear any backlog funding. Member may also wish to review the wider funding arrangement for Area Committees to allow revenue bids to be made. However, this would have consequences for the Revenue Budget. It is recommended that this is reviewed as part of the wider governance review within the transformation programme.

Regeneration Schemes

16. The main schemes for 2022/23 relate to the Levelling Up Fund and the Nelson Town Deal. An indicative budget of £1m has been included for Nelson Town Deal and this is subject to review throughout the year. A review of Regeneration schemes will be carried out during 2022/23 to remove any items not moving forward to allow resources to be re prioritised.
17. Table 2 below summaries the expected available capital resources for 2022/23.

Table 2: Capital Resources 2022/23

Capital Resources	£
Capital Receipts	100,000
Revenue Contributions	0
Capital Grants	4,376,311
Other Funding (e.g. S106)	0
Prudential Borrowing	322,880
Total	4,799,191

18. Capital Receipts of £100k have been identified for the year 2022/23. This is a reduction on previous years but a review of potential future receipts may improve this position.
19. Capital Grant income relates to Disabled Facilities Grant schemes, Levelling Up Fund and Nelson Town Deal.
20. The current programme will require Prudential Borrowing of £323k. The cost of borrowing is an important consequence of Prudential Borrowing, this comprises two elements:
- an interest cost arising from either new cash borrowing or where we choose to redeem investments (and thereby forego interest receipts) in order to have sufficient cash to meet capital payments when they fall due. The estimated cost of interest payments in 2021/22 is £819k.
 - a principal repayment (known as the Minimum Revenue Provision or MRP) which is required to reduce the net indebtedness of the Council. Variant options exist under which the MRP liability can be calculated and the Council agrees an annual policy in this respect each year in March as part of the Treasury Management Strategy Statement. In general terms the MRP charge is aligned with the useful life of the asset for any new borrowing. The estimated cost of MRP in 2021/22 is £613k.
21. An assessment of the revenue implications of the proposed capital programme for 2022/23 has been undertaken and the impact set out above has been reflected as appropriate in the General Fund Revenue Budget presented elsewhere on this agenda. However, should the proposed programme change it may be necessary to undertake a further assessment to

establish the impact on the revenue budget. Any reductions in the programme may be able to contribute to the budget gap identified in the General Revenue Budget Report.

Prudential Indicators

22. The Prudential Code for Capital Investment in Local Authorities requires various indicators to be approved by the Council; those applicable to this council are shown in **Appendix C**. Members should be aware that this Appendix has not been updated since approval was given last year and need to be updated in the forthcoming year. However, no borrowing has been taken since last year and the level of expected Prudential Borrowing at £323k is lower than the previously anticipated level of £480k. In this case, the level of borrowing assumed in the proposed capital programme for 2022/23 is considered to be affordable, prudent and sustainable.

IMPLICATIONS

Policy

23. The development of the Council's capital programme and revenue budget is undertaken within the corporate service planning and performance management framework so as to ensure that resources are directed to those activities which help achieve the council's objectives and priorities.

Financial

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

Legal

25. There are no legal implications arising directly from the contents of this report. In accordance with s32 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. A report elsewhere on the Agenda for this meeting deals with the Council's General Fund Revenue Budget, whereas this report deals with the Capital Programme.
26. The Local Government Act 2003 introduced additional requirements for local authorities in respect of capital finance and accounting. Fundamental to this is the requirement to comply with the Prudential Code drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires local authorities to establish a range of 'prudential indicators and limits' and to monitor these on an ongoing basis. Those prudential indicators and limits that are applicable to this Council are shown at **Appendix C** to this report.
27. Other than these requirements, and those other matters referred to in the body of the report, there are no direct legal implications arising from the contents of this report.

Risk Management

28. In terms of the robustness of the estimates in the capital programme, all practical steps have been taken to identify and make provision for the Council's capital commitments in the proposed programme for 2021/22 within the level of resources available.
29. Councillors will appreciate that there may be additional projects identified during the year for which there is currently no provision within the proposed capital programme. In the event that any such projects come forward, and there are no additional capital resources available, there

will be a need to consider how they can be funded from within the existing capital resources envelope. Invariably, this might mean schemes approved as part of the proposed programme being either delayed or not progressed at all.

30. The development of the capital programme is a complex task and is based on estimates of future income and expenditure. Councillors will appreciate that these estimates are made on the basis of the best information known when undertaking the work. It is necessary, for example, to make assumptions about the disposal of assets during the year to determine the level of capital receipts that might be available; this is a key area of risk for the Council given the extent to which receipts are required to fund the programme. Similarly, assumptions have to be made about the timing and availability of external funding.
31. Whilst every effort is made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on the delivery of the capital programme. To minimise and control the impact of this, the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements, particularly through the Policy and Resources Committee.
32. The Capital Programme for 2022/23 includes a range of proposals for capital investment. These proposals have been identified through the Council's service and financial planning process and represent areas of investment that are necessary to contribute to the achievement of the Council's strategic objectives. The risk of not approving any, or all, of the service development proposals is that the Council may not be able to fulfil these requirements with a resulting impact on service delivery, customer expectations and achievement of national targets where applicable.
33. In relation to the potential risks faced by the Council, there needs to be a balance between maintaining and improving service delivery and the sustainability of the financial standing of the Council. The capital bids above exceed the Council's present resources and it is important, therefore, that these are critically reviewed and prioritised to ensure the Council's limited resources are applied most effectively. There is the risk, however, that not all policy objectives of the Council that require capital investment can be pursued.

Health and Safety

34. There are no health and safety issues arising directly from the contents of this report.

Climate Change

35. There are no climate change issues arising directly from the contents of this report.

Community Safety

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

Equality and Diversity

37. There are no new equality and diversity issues arising directly from the contents of this report.

APPENDICES

Appendix A – Capital Programme 2020/21 – Projected outturn

Appendix B - Proposed Capital Programme 2022/23

Appendix C – Prudential Indicators

LIST OF BACKGROUND PAPERS