

REPORT FROM: CHIEF FINANCE OFFICER
TO: POLICY AND RESOURCES COMMITTEE
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CAPITAL PROGRAMME – PROVISIONAL OUTTURN 2021/22

PURPOSE OF REPORT

This report is to inform the Policy and Resources Committee of the provisional outturn position on the Capital Programme for 2021/22.

RECOMMENDATION

To note the provisional outturn position on the Council's Capital Programme for 2021/22 and to approve the proposals for slippage in the programme from 2021/22 to 2022/23.

REASON FOR RECOMMENDATION

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

ISSUE

2021/22 Approved Capital Programme

- 1.0 At the Council meeting on 25th February 2021, Councillors approved a capital programme of £12.946m for 2021/22. At that time, the Programme comprised new schemes totalling £2.355m and estimated slippage of £10.591m. During the year, there were a number of adjustments to the Capital Programme and these can be summarised as follows:-
 - a) changes to the Programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the Programme totalling £2.793m (see Appendix A, Column 4).
- 2.0 Taking into account these adjustments, the overall Capital Programme for 2021/22 totals £18.180m (see Appendix A, Column 5).

Provisional Capital Programme Outturn Position 2021/22

3.0 The provisional outturn position for the Capital Programme is expenditure of £3.792m, a net underspend of £14.388m when compared to the revised budget for the year. This is summarised in Table 1 below:-

Table 1: Capital Outturn 2021/22

	Revised Budget £000	Outturn £'000	Variance £000
Private Sector Housing	3,738	760	(2,978)
Environmental, Roads, Street Lighting & Road safety	1,583	117	(1,466)
Waste Collection	137	162	25
Other General Capital Schemes	903	529	(375)
Area Committees	790	246	(544)
Resource Procurement Schemes	9,663	1,652	(8,011)
Corporate Property Maintenance	858	132	(726)
Parks and Recreations Services	507	193	(314)
Total Capital Programme	18,180	3,792	(14,388)

4.0 This represents a significant under delivery of the capital programme and budget slippage in to future years.

5.0 Resources to meet the costs of budgets that are committed will also be slipped into 2022/23, subject to the Policy and Resources Committee's consideration here.

6.0 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. The 2021/22 programme has been resourced as follows;

- Capital receipts of £0.660m have been used to fund expenditure during the year.
- During the year the Council used various grants and contributions totalling £0.754m.
- The balance of funding was made up of £3.037m of prudential borrowing already made.

7.0 The major variations in the Programme as shown in Table 1 above are explained below (note all are subject to further review and proposed slippage figures are provisional at this stage):-

- **Private Sector Housing Projects** – There is an underspend on housing projects of £2.978m. This comprises variations on the following schemes:-
 - *Brierfield Mill (underspend of £218k)* – This relates primarily to the final payment of grant funding to PEARL BM plus payment of 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;
 - *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 on the potential development of an Extra Care Facility;

Empty Clusters Funding (underspend of £520k) – 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 £1.902m)* – Due to the timing of the delivery of projects, the funding for the year has been fully committed.
- £53k for Flood Alleviation projects in Earby. This funding represents in part the Council's contribution towards the flooding schemes planned for Earby;
- £1.305m for Flood Alleviation –Earby (New Cut Wall) projects in Earby. This ECIF grant funding represents in part the Council's contribution towards the flooding schemes planned for New Cut Wall project spend to start coming through in 2022/23;
- An underspend of £45k 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 2022/23;
- 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 2022/23. Similarly, there is an underspend of £47k on a shared use path on Colne Road Barrowford at the year end. The works on this path have since been completed.
- **Other General Capital Scheme** – The unspent budget of £375k 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 £544k as at 31st March 2022. The balance of the underspend is to be carried forward to 2022/23 though this will be capped for 2023/24;
- **Resource Procurement** – The underspend on Resource Procurement of £8.011m comprises primarily a range of multi-year projects as follows:-
 - Economic Development Opportunities – this underspend of £1.427m 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 £779k is being held as the Council's contribution towards PEARL Projects;

- Lomeshaye Industrial Estate (Phase 1) – as Councillors will be aware, the delivery of the extension is now well underway and the underspend of £2.432m is entirely committed to delivery of the Scheme;
- Brownfield Regeneration Fund – this budget is underspend by £1.273m. Around c£500k 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 £364k is fully committed to this.
- **Corporate Property Maintenance** – The key areas of underspend are:-
 - on the budget for General Asset Renewal of £397k. 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 £237k on the budget for improvements to Leisure Trust facilities.

Capital Programme Review and Scheme Slippage 2021/22

- 8.0 As noted in the Treasury Management Report (also on this Agenda) the Council’s current borrowing exceeds its Capital Financing Requirement (CFR). Whilst this in itself is not a major issue as it has been planned the Council is carrying a large amount of slippage in the capital programme which it is consistently failing to clear.
- 9.0 A review of the existing capital programme will take place in July to look at all lines in the capital programme and to re-profile spend over future years so that the slippage element is clearly shown in future years and both Officer and Members can track spend versus budgets accordingly.
- 10.0 The capital programme review will also consider other Council priorities not yet included in the capital programme, for example, the new cemetery site and also whether or not items in the capital programme are aligned with new capital assets. This being an important consideration when balancing the CFR with the Council’s net borrowing position.
- 11.0 A future report on the 2022/23 Capital Programme will be brought later in the financial years setting out a revised programme which takes account of any re-profiling required as well as future Council priorities.
- 12.0 A provisional review of the capital programme for the year has identified scheme slippage totalling £12.781m. An analysis of these Schemes is provided at column 2 of Appendix B. The following table shows a summary of the carry forward position:-

Table 2: Capital Carry forward to 2022/23

	£’000
Private Sector Housing	2,977
Environmental, Roads, Street Lighting & Road safety	1,389
Waste Collection	0
Other General Capital Schemes	401
Area Committees	544

Resource Procurement Schemes	5,950
Corporate Property Maintenance	738
Parks and Recreations Services	343
Total Capital Programme	12,344

13.0 The total capital programme for 2022/23 is set out in Appendix B and is set at £17.129m.

IMPLICATIONS

Policy

14.0 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

15.0 The financial implications are as given in the report.

Legal

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

Risk Management

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

Health and Safety:

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

Climate Change:

19.0 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:

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

Equality and Diversity:

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

APPENDICES

Appendix A - Capital Programme – Provisional Outturn (Expenditure) 2021/22

Appendix B - Capital Resources – Provisional Outturn (Resources) 2021/22

LIST OF BACKGROUND PAPERS