



CABINET: 14 January 2020

EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
30 January 2020

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**Report of: Head of Finance, Procurement and Commercial Property**

**Relevant Portfolio Holder: Councillor A. Yates**

**Contact for further information: Marc Taylor (Ext. 5092)**  
**(E-mail: marc.taylor@westlancs.gov.uk)**

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**SUBJECT: DRAFT MEDIUM TERM CAPITAL PROGRAMME**

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Wards Affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To set out details on the GRA medium term capital programme position for the next 3 years.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the medium term financial position be noted, and consideration given to how a balanced capital programme can be achieved.
- 2.2 That the Portfolio Holder for Resources and Transformation be given delegated authority to submit firm proposals to Council on 26 February 2020 to enable the capital programme to be set.
- 2.3 That call in is not appropriate for this item as it is to be submitted to the Executive Overview and Scrutiny Committee on 30 January 2020.

## **3.0 RECOMMENDATION TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

- 3.1 That consideration be given to how a balanced capital programme can be set and that any comments agreed by the Committee be submitted to the Portfolio Holder for Resources and Transformation in advance of the Council meeting to be held on 26 February 2020.
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## 4.0 BACKGROUND

4.1 The Council has a medium term rolling capital programme, which is reviewed and updated on a regular basis. As part of the budget setting process, a programme covering the next three years will need to be agreed by Council at its meeting in February 2020. This report concentrates on the general capital programme and does not consider the HRA capital programme which is determined through a separate process.

## 5.0 CAPITAL RECEIPT FUNDING

5.1 The main source of Council funding available to support the general capital programme are receipts from the sale of assets, and at the start of this financial year there were £4.121m of receipts being held for this purpose. The number and value of assets sold each year can vary significantly depending on a range of factors. In particular Council House sales under Right to Buy (RTB) legislation can be volatile depending on the state of the economy and changes in government rules.

5.2 Table 1 shows details of sales by number and value in recent years. Part of the proceeds from the sale of Council Houses must be repaid to the Government, and the usable sale proceeds shown below reflect the amount available for new capital spending after taking these payments into account.

Year	Number of Sales		Usable Sale Proceeds £000	
	Council Houses	Other Assets	Council Houses	Other Assets
2010/11	18	2	226	97
2011/12	10	0	123	0
2012/13	25	3	240	102
2013/14	48	4	307	29
2014/15	35	4	300	273
2015/16	57	5	338	142
2016/17	81	6	329	174
2017/18	73	1	332	9
2018/19	57	3	339	103

5.3 Based on recent trends and projecting forward on a prudent basis it is anticipated that there will be receipts of £1.040m generated from an estimated 200 RTB Council House sales over the next 4 years, as well as approximately £1.3m of receipts from land sales and the surplus from the Westec site development.

5.4 In addition to the funding shown above the Council is also able to retain a further share of the proceeds from RTB sales under government regulations in relation to an "Allowable Debt" factor. It is estimated that this should enable new spending of £2.8m over the next 4 years in addition to the figures shown above.

5.5 Taking all of these factors into account, it is anticipated that there will be capital

receipts of £5.14m generated over the 4 year period 2019-20 to 2022-23 that will be available to fund new capital expenditure. These projections are potentially subject to significant variation as, for example, a single large asset sale could produce a large receipt and the level of future house sales is difficult to predict. However, in looking at medium term financial plans it is best practice to use a prudent approach when estimating future available resources. The assumptions underlying these projections will be reviewed on a regular basis to ensure they take account of new developments.

## **6.0 SPENDING REQUIREMENTS**

6.1 The Council's current 3 year programme covers the period 2019/2020 to 2021/2022. Consequently, in addition to current year budgets there are also indicative spending approvals in place for the following two years. It should be recognised, however, that as we operate a medium term capital programme, approvals that have been given for future years are indicative allocations only that are potentially subject to change.

6.2 The current value of spending approvals to be funded from capital receipts is £4.675m, which is analysed in Appendix 1. In addition to the existing scheme approvals it is our normal practice in developing the rolling medium term programme to include provisional allocations for the next year of the programme (in this case 2022/2023). Consequently, Appendix 1 also contains provisional allocations of £0.424m for ongoing capital schemes which typically receive funding each year. No funding has been allocated for the Leisure Trust scheme from 2020/21 onwards as the current leisure contract comes to an end in March 2020.

6.3 It has been previously agreed that any General Revenue Account staff restructuring costs arising from the Sustainable Organisation Review or other similar initiatives will be financed from available capital receipts, and it is estimated that this will cost around £2.3m. These costs will also need to be taken into account when considering the overall capital programme position.

## **7.0 OVERVIEW**

7.1 Table 2 overleaf summarises the current position in terms of estimated capital receipt funding and spending requirements. The bottom line position is that there is £1.862m available over the programme period. This funding position is before any consideration is given to potential new capital schemes that may be identified by Heads of Service, or which may be put forward by Members.

<b>Table 2 – General Capital Receipts Funding Available</b>	£000
Usable capital receipts held in April 2019	4,121
Estimate of receipts that will be generated between April 2019 and the end of the 2022/2023 financial year	5,140
Existing spending approvals covering period 2019/2020 – 2021/2022	-4,675
Provisional spending approvals for 2022/2023	-424
Potential GRA staff restructuring costs	-2,300
<b>Total Funding Available for new schemes</b>	<b>1,862</b>

## **8.0 WAY FORWARD**

- 8.1 There are a number of options that can be considered to realign and update the programme. Members will need to carefully consider what proposals to include in the final budget to meet corporate and service objectives but also to ensure a balanced overall financial position.
- 8.2 There are a number of factors that can be considered or given regard through this process including:
- The Council has been very successful in attracting external capital investment over many years, and further opportunities should be considered
  - The priority that is attached to the potential new capital schemes that may be identified through the budget process
  - The need for investment in IT to provide more effective and efficient services
  - Reviewing existing spending approvals to assess whether they are still relevant and appropriate
  - Prudential borrowing could be assessed as a mean of providing additional capital resources. This type of borrowing can be used to finance investment in long term fixed assets where it is prudent, affordable and sustainable. The costs associated with this borrowing would then need to be factored into the revenue budget, and this could be difficult to achieve given the GRA's challenging medium term financial position.
  - The scope to develop new capital schemes funded through Section 106 Agreements or Community Infrastructure Levies which are subject to separate processes

- The potential financing requirements of the new Development Company, the Skelmersdale Town Centre Redevelopment, and the Leisure Strategy, which have all been the subject of separate Committee reports
- The capital investment that will need to be made to ensure the successful implementation of the Sustainable Organisation Review

8.3 Officers will work with each Political Group during the budget process to review the available options. The Council meeting will then provide an opportunity for each Political Group to put forward proposals to produce a balanced capital programme.

## **9.0 SUSTAINABILITY IMPLICATIONS**

9.1 The proper management of the Council's asset base enhances service delivery. Assets consume a high level of resources both in terms of capital investment and revenue maintenance and having a proper strategy in this area ensures that the capital base can shape the future direction of the Council.

## **10.0 RISK ASSESSMENT**

10.1 The level of capital receipts generated by asset sales is a significant risk to the future development of the programme. If receipts exceed the projections contained in this report, it would enable additional schemes to be developed. However, if receipts are below the projections, it would require reductions to be made.

10.2 Some schemes in the Programme are dependent on external partner funding. To minimise the risk of funding not being available, such schemes will only begin once their funding details have been finalised.

### **Background Documents:**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The decision from this report does not have any direct impact on members of the public, employees, elected members and/or stakeholders. Therefore, no Equality impact assessment is required.

### **Appendices**

Appendix 1 - Capital Receipt Funding Approvals

Appendix 2 – Minute of Cabinet (Executive Overview and Scrutiny Committee only)