



CABINET: 12 January 2021

EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE: 28
January 2021

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor A Yates

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SUBJECT: DRAFT MEDIUM TERM CAPITAL PROGRAMME

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 24 February 2021 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 28 January 2021.

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 24 February 2021.

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 2021. 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 £2.602m 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's	
	Council Houses	Other Assets	Council Houses	Other Assets
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
2019-20	56	2	339	8

Please note the other asset sales excludes Westec housing sales as this provides appropriate comparable data.

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 £0.2m of receipts from land sales.

- 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.
- 5.5 Taking all of these factors into account, it is anticipated that there will be capital receipts generated of £4.040m generated over the 4 year period 2020-21 to 2023-24 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 2020/2021 to 2022/2023. 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 £5.137m, which is detailed in the revised capital programme report to the December 2020 Council meeting. 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 2023/2024). Consequently, allocations of £0.424m for ongoing capital schemes such as corporate property maintenance and ICT development, which typically receive funding each year are included.

7.0 OVERVIEW

- 7.1 Table 2 summarises the current position in terms of estimated capital receipt funding and spending requirements. The bottom line position is that there is £1.081m available over the programme period. This funding position is before consideration is given to potential new capital schemes that may be identified by Heads of Service, or which may be put forward by Members.

Table 2 – General Capital Receipt Funding Available	£ 000
Usable capital receipts at the commencement of 2020-21	2,602
Estimate of receipts to be generated between April 2020 and the end of the financial year 2023/2024	4.040

Existing spending approvals covering the period 2020-21 and 2022-23.	- 5.137
Provisional allocations 2023-24	- 0.424
Total funding available for new schemes	1.081

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 means 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
- 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.

11.0 HEALTH AND WELLBEING IMPLICATIONS

11.1 There are no health and wellbeing implications arising from this report.

Background Documents

The following background documents (as defined in Section 100D (5) of the Local Government Act 1972) have been relied on to a material extent in preparing this Report.

- Revised Capital programme 2020-21

Equality Impact Assessment

The decision 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

None