



WEST LANCASHIRE BOROUGH COUNCIL

CAPITAL STRATEGY AND CAPITAL
PROGRAMME

2023/2026

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1. Introduction

1.1 The requirement for councils to prepare a Capital Strategy is set out in the Prudential Code for Capital Finance in Local Authorities (updated December 2021), and this document has been produced in accordance with the latest guidance.

1.2 The capital strategy sets out the direction for the Council's capital programme management and investment decisions in support of our outcomes. It sets out the principles for prioritising our capital investments, the governance, scrutiny and assurance process. It also provides an overview of the asset management process and approach to risk management.

1.3 The effective management of capital resources is an integral aspect in the delivery of the Council's corporate objectives. The Capital Strategy provides the framework for this delivery and ensures there is a focused approach to our capital investment. The Strategy maintains a strong link to its key strategy documents notably the Medium Term Financial Strategy (MTFS), Treasury Management Strategy, Investment strategy. The Strategy will be reviewed annually and updated to take account of the challenges facing the Council and the residents of West Lancashire.

2. Background

2.1 The Council formulates its capital investment programme as part of its annual budget setting process. The aim is to ensure that the programme is affordable, deliverable and in line with the Council's priorities for expenditure.

2.2 The key priorities continue to be supported by our capital investment programme, for instance through our **greener** energy initiatives and the development of cycleways, we are working towards **cleaner** with increased provision of litter bins and CCTV initiatives to deter and address flytipping. The programme funding for the provision of healthy hubs, to achieve the **healthier** community objective.

2.3 Although not currently in the strategy, there is work well underway to look at the long term leisure service needs, including provision of new leisure facilities, to replace existing centres. At this stage, the affordability is still being worked upon, as we have been informed that the Council's £11m bid for levelling up funding has not been successful.

3. Objectives

3.1 To support the MTFS by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget.

Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the Council's priorities.

4. Capital Programme – General Fund

4.1 General Fund – the programme includes £1.352m of new expenditure in 2023/24. In addition to this there will be slippage, that is expenditure shown under the 2022/23 programme, that is not likely to occur until 2023/24. This is currently estimated to be in the region of £4.9m, and forms part of the £6.220m programme for 2023/24 shown below.

| General Fund (GRA) Service Area | 2022/23 F/cast Expenditure | 2023/24 | 2024/25 | 2025/26 |
|--|----------------------------|--------------|------------|------------|
| | £'000s | | | |
| Finance Procurement & Commercial Services | 5,311 | 772 | 40 | 210 |
| Wellbeing & Leisure | 2,178 | 3,927 | 33 | 6 |
| Environmental Services | 192 | 307 | 0 | 0 |
| Growth and Development | 830 | 169 | 0 | 0 |
| Housing and Regulatory Services | 1,934 | 403 | 164 | 164 |
| Corporate and Customer Services | 1,747 | 643 | 250 | 250 |
| Total GRA Capital Programme Expenditure | 12,193 | 6,220 | 487 | 630 |

4.1.1 General Fund New Bids 2023/24

There is £422k of new expenditure included in the overall capital programme shown above. This is to support the six schemes identified below.

| Service | Budget Issue Name | 23/24 | 24/25 | 25/26 |
|---------------------------------|--------------------------------|----------------|---------------|----------------|
| Environment | Littering T&F group equipmen | 23,000 | 0 | |
| Environment | Street recycling bins | 10,000 | 0 | |
| Finance & Procurement | Civica fixed asset register | 30,000 | 0 | |
| Finance & Procurement | Capital Works Required (Est) | 230,000 | 10,000 | 180,000 |
| Wellbeing and leisure | Chapel Gallery building repair | 50,000 | 33,000 | 6,000 |
| Regulatory services | CCTV monitoring costs | 78,639 | 0 | 0 |
| New Service Bids 2023/24 | | 421,639 | 43,000 | 186,000 |

4.2 Capital Resources – General Fund

The above programme is to be resourced by the resources as identified below:

| FUNDING: | 2022/23 F/cast Expenditure | 2023/24 | 2024/25 | 2025/26 |
|--|----------------------------|--------------|------------|------------|
| Capital Receipts | 3,499 | 2,157 | 487 | 630 |
| GRA Contributions | 0 | 0 | 0 | 0 |
| Prudential Borrowing | 5,268 | 482 | 0 | 0 |
| CIL/S106 | 1,331 | 3,035 | 0 | 0 |
| Other Grant Funding | 2,095 | 546 | 0 | 0 |
| Total GRA Capital Programme Funding | 12,193 | 6,220 | 487 | 630 |

4.3 Sources of Finance for the Capital Programme

External Funding

Where external resources available to support the Capital Programme these are applied first, to reduce the borrowing burden on the council. These can include grants from government bodies such as funding to enable the award of disabled facilities grants, statutory and other developer contributions (e.g., S.106/CIL - Community Infrastructure Levy) and partner contributions from bodies interested in specific projects. It can be seen from the above table that **£3.581m** of CIL and other grant funding will be used in delivering the 2023/24 capital programme.

It is expected that projects with 100% external funding will be added to the programme once business case requirements are met: namely, that the scheme meets the Council's strategy objectives; the scheme is subject to investment appraisal to ensure best use of funders resources; an assessment is made of the ongoing financial impact on the Council; there is evidence of a commercial approach to the decision; and that the Council has the availability of management resources to deliver the project effectively.

Internal Funds

When the Council has exhausted its available external grant funding, it then applies its own resources. These may include the setting aside of earmarked reserves to deliver capital priorities, or the use of the Council's capital receipts.

The largest source of capital receipts available to the council are from right to buy sales.

The Council may also, if affordable, make a GRA revenue contribution to the capital programme. As can be seen from the financing in the table above, there are no proposed GRA contributions.

At the end of the 2021/22 the Council had £15.4m in capital resources available. There are £6.9m of commitments against these in 2022/23.

Unfinanced expenditure / Prudential borrowing

Where there is no identified source of either internal or external financing for a scheme, this is said to be unfinanced, and requires borrowing. It may be that the council will need to borrow from the PWLB, incurring an interest charge.

Where available, the Council may use its own cash balances. These balances could be, for example, cash sitting in reserves which has not been spent yet, or cash set aside to meet a future provision. Where internal cash is used there is still an interest cost in the form of a loss of interest earned on investments, but this will be cheaper than the market rate.

In addition to interest, the council will be required to set aside a 'minimum revenue provision'; essentially setting aside funds for the repayment of debt. This is paid back over the life of the asset.

4.4 Capital Expenditure – Housing Revenue Account

| HRA Service Area | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------------------|---------------|---------------|---------------|--------------|
| | £'000s | £'000s | £'000s | £'000s |
| Housing investment Plan | 7,612 | 6,328 | 6,328 | 6,328 |
| Other Housing Schemes | 4,977 | 6,421 | 6,203 | 2,203 |
| TVDC Expenditure | 9,781 | 0 | 0 | 0 |
| Emerging Capital Requirements | 0 | 2,010 | 2,575 | 0 |
| Total HRA capital programme | 22,370 | 14,759 | 15,106 | 8,531 |

The HRA capital programme includes a number of themed headings. The first section, housing investment plan, ensures decency and that homes are maintained to a habitable standard.

Tawd Valley Developments is the Council's commercial project to build affordable homes across Skelmersdale and Westhead and has so far delivered 81 new homes for the residents of West Lancashire.

There is a further scheme at Fairlie, Skelmersdale that is due to be completed by June 2024 that will provide a further 50 affordable homes to the people of Skelmersdale.

This project has a project team that covers all disciplines and when required external professional advice will be sought.

4.5 – Financing HRA Capital Programme

| HRA Financing | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------------|---------------|---------------|---------------|--------------|
| Government Grants | 2,708 | 500 | 0 | 0 |
| HRA Contributions | 3,521 | 3,403 | 3,281 | 3,155 |
| Major Repairs Reserve | 3,948 | 4,066 | 4,188 | 4,314 |
| Prudential Borrowing | 12,193 | 6,790 | 7,637 | 1,062 |
| Total Capital Funding | 22,370 | 14,759 | 15,106 | 8,531 |

5. Risk Management

5.1 An important part of the Council's investment and risk strategy is that all potential risks are investigated. This is done by logging all risks on the Council's risk platform (Pentana) which analyses the likelihood of the risk occurring and mitigations are put in place to manage these risks.

The monitoring and management of mitigating these risks is a key part of the Capital programme.

6. Knowledge and Skills

6.1 The Council's Capital and Treasury Programmes are managed by professionally qualified Accountants. All Finance Business Partners at the Council are qualified Chartered Accountants

with extensive Local Government Experience, and all keep up to date with new developments and complete Continuous Professional Development (CPD) on an ongoing basis

6.2 The Council's Head of Finance, Procurement and Commercial Property is the S151 officer and has overall control and responsibility for the Capital Programme. He is also a professionally qualified accountant and follows an ongoing CPD programme.

6.3 The Council's Investment Project Manager reviews all commercial and investment activity from inception right through to project completion and ongoing performance management and is also a professionally qualified Chartered Public Financial Accountant (CPFA).