



**Executive Overview & Scrutiny:  
25 January 2024**

**Cabinet: 6 February 2024**

**Council:  
28 February 2024**

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

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**SUBJECT: CAPITAL STRATEGY AND PROGRAMME 2024/25 to 2026/27**

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**Wards affected: Borough Wide**

## **1.0 PURPOSE OF REPORT**

- 1.1 To set the framework for capital financing and treasury management operations for the next financial year.

## **2.0 RECOMMENDATIONS**

### **Executive Overview & Scrutiny**

Are asked to recommend the following items to Council for approval:

- 2.1 That the Capital Strategy and Programme for 2024/25 be noted.

### **Cabinet**

- 2.2 That the Capital Strategy and Programme for 2024/25 be noted.

### **Council**

- 2.3 That the Capital Strategy and Programme for 2024/25 be agreed.

## **3.0 Introduction**

- 3.1 The Prudential Code for Capital Finance in Local Authorities (updated December 2021) sets out the requirement for councils to prepare a Capital Strategy, and this document has been produced in accordance with the latest guidance.
- 3.2 This strategy updates the capital strategy for both the general fund (GRA programme) and for the HRA, and 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.

- 3.3 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.

## **4 Background**

- 4.1 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.
- 4.2 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 a cleaner environment with increased provision of litter bins and CCTV initiatives to deter and address fly tipping. The programme funding for the provision of healthy hubs, to achieve the healthier community objective.
- 4.3 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 the Council's £11m bid for levelling up funding has not been successful.

## **5. Objectives**

- 5.1 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.

## **6. Capital Programme – General Fund**

General Fund – the programme includes £1.578M of new expenditure in 2024/25 and £1.918M recurring and continuation of schemes. In addition to this there will be estimated slippage of £8.796M, that is expenditure shown under the 2023/24 programme, that is now included in the 2024/25 programme likely to occur until 2024/25. There is also an item of £30k that relates to Litter bins that was agreed at February 2022 Council. This is included within the £375k for Environmental Services.

General Fund (GRA) Service Area	2023/24 f/cast Expenditure £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Corporate and Customer Services	£214	£1,807	£250	£250
Environmental Services	£178	£375	£0	£0
Finance Procurement and Commercial Services	£484	£540	£210	£30
Housing Services	£1,692	£1,969	£1,608	£1,608
Planning and Regulatory Services	£256	£20	£0	£0
Wellbeing and Place Services	£2,429	£7,612	£6	£0
<b>Total GRA Capital Funding Expenditure</b>	<b>£5,252</b>	<b>£12,322</b>	<b>£2,074</b>	<b>£1,888</b>

## 6.1 General Fund New Items 2024/25

There is £1.578M of new expenditure included in the overall capital programme shown above. This is to support the three schemes identified below that were agreed at February 2023 Council.

Service	Budget Issue Name	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Finance Procurement and Commercial Services	Capital works 23/24	£10	£180	£0
Wellbeing and Place Services	Chapel Gallery - Repair works	£33	£6	£0
Wellbeing and Place Services	UK Shared Prosperity Fund	£1,535	£0	£0
<b>New Service Items 2024/25</b>		<b>£1,578</b>	<b>£186</b>	<b>£0</b>

In Addition to the above there will also be a new bid for the Waste Transfer Station which will be in the region of £200k for Phase 1 and will be in the 2024/25 Capital Programme and another £200K for Phase 2 which will be required in the 2025/26 Capital Programme. This is based upon estimates received so far from external consultants but may be subject to change.

## 6.2 Capital Resources – General Fund

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

General Fund (GRA) Service Area	2023/24 f/cast Expenditure £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Capital Receipts	£1,012	£2,429	£0	£0
GRA Contributions	£0	£0	£0	£0
Prudential Borrowing	£1,782	£3,640	£630	£444
CIL	£1,744	£1,062	£0	£0
s106	£3	£398	£0	£0
Other Grant Funding	£1,911	£3,592	£1,444	£1,444
<b>Total GRA Capital Funding Expenditure</b>	<b>£6,452</b>	<b>£11,120</b>	<b>£2,074</b>	<b>£1,888</b>

### 6.3 Sources of Finance for the Capital Programme

There are both external and internal sources of financing available to fund the capital programme. When these resources are depleted, the Council will be required to resort to prudential borrowing. The cost of this borrowing will vary depending on timing due to interest rate variations.

#### External Funding

Where external resources are 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. S106/CIL - Community Infrastructure Levy) and partner contributions from bodies interested in specific projects. It can be seen from the table in 4.2 that £5.052m of CIL and other grant funding will be used in delivering the 2024/25 capital programme.

Forecast Movement on Capital Resources	31 Mar 23	23/24 Receipts	23/24 Utilised	31 Mar 24
<b>Unfinanced:</b>				
Prudential Borrowing	0	0	-482	0
<b>Capital Resources:</b>				
Capital Receipts Reserve	5,072	523	-1,112	4,483
s106	2,460	0	-3	2,457
HCA	1,615	0	0	1,615
Capital Grants Unapplied Account	779	1,133	-1,911	1
Community Infrastructure Levy	11,779	0	-1,744	10,035
<b>Available Resources Applied 2022/23</b>	<b>21,705</b>	<b>1,656</b>	<b>-4,771</b>	<b>18,591</b>
<b>Capital financing available and used 2023/24</b>	<b>21,705</b>	<b>1,656</b>	<b>-5,252</b>	<b>18,591</b>

In addition to this, a further £415k for 2024/25 has been identified in delivering UK prosperity fund scheme objectives and a further £442k from Rural England Prosperity Fund (REPF).

The Council has also secured funding in the form of a Heritage Action Zone grant. The total project is for £3.426m, of which the council's share is £1.130m. The current programme includes £742k of expenditure and resources, with work underway to identify the remaining £380k that is expected to be funded from s106 receipts.

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.

#### **Capital receipts**

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

From 2024/25, it has been agreed that these receipts are used exclusively in the HRA capital programme. This is in recognition that these are assets lost to the HRA, and the income streams that would have been due to the HRA from these assets is now not available to undertake the essential capital works in achieving carbon targets on dwellings. The policy does not undo the commitments already included within the capital programme, so the receipts for 2023/24 will still be available to meet those projects previously planned to be financed.

#### **Revenue and reserves**

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 2022/23 the Council had £21.7m in capital resources available (internal and external). There are £5.2m of commitments against these in 2023/24.

#### **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 to delay the need for borrowing. These balances could be, for example, cash reserves which have 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 lending 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.

The Council has £6.496m in the general fund programme that is not financed, which requires prudential borrowing.

## 6.4 Capital Expenditure – Housing Revenue Account

HRA Service Area	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Housing Investment Plan	£7,742	£6,838	£6,328	£6,328
Other Housing schemes	£6,622	£16,023	£2,523	£2,523
TVDL Expenditure	£3,542	£4,303	£5,666	£4,460
<b>Total Capital Funding</b>	<b>£17,906</b>	<b>£27,164</b>	<b>£14,517</b>	<b>£13,311</b>

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

Tawd Valley Developments Limited (TVD) is the Council's commercial company, which builds affordable homes across Skelmersdale and Westhead and has so far delivered 108 new homes for the residents of West Lancashire.

The Business Plan approved in July 2023 was based upon 190 affordable homes in West Lancashire with 50 of those units at the Fairlie site in Skelmersdale. 27 of which have been delivered ahead of schedule with the remaining 23 homes expected to be delivered before the end of the 2023/24 financial year.

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

## 6.5 Financing HRA Capital Programme

HRA Financing	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Capital Receipts	£10	£359	£363	£366
Government Grants	£1,212	£716	£1,188	£1,187
HRA Contributions	£3,139	£3,017	£2,891	£2,762
Major Repairs Reserve	£4,066	£4,188	£4,314	£4,443
Prudential Borrowing	£9,479	£18,884	£5,761	£4,553
<b>Total Capital Funding</b>	<b>£17,906</b>	<b>£27,164</b>	<b>£14,517</b>	<b>£13,311</b>

## 7. Risk Management

7.1 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.

## **8. Knowledge and Skills**

- 8.1 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.
- 8.2 The Council's Head of Finance, Procurement and Commercial Services 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.
- 8.3 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).

## **9.0 SUSTAINABILITY IMPLICATIONS**

- 9.1 The Capital Programme includes schemes that the Council plans to implement to enhance service delivery and assets. The Capital Programme also achieves the objectives of the Prudential Code for Capital Finance in Local Authorities by ensuring capital investment plans are affordable, prudent, and sustainable. This report provides an updated position on project plans and shows progress against them.

## **10.0 RISK ASSESSMENT**

- 10.1 Capital assets shape the way services are delivered for the long term and, as a result, create financial commitments. The formal reporting of performance against the Capital Programme is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. Schemes within the Programme that are reliant on external contributions and/or decisions are not started until funding is secured. Other resources that are subject to fluctuations are monitored closely to ensure availability. The Capital receipts position is scrutinised on a regular basis and managed over the medium term to mitigate the risk of unfunded capital expenditure.

## **11.0 HEALTH AND WELLBEING IMPLICATIONS**

- 11.1 Some of the Capital Schemes will enhance the Health and Wellbeing of residents and the management of the delivery is ensured via the reporting mechanism.

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### **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 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**

- A Funding of Capital Programme 2024-25-2026-27
- B Minute of Executive Overview & Scrutiny Committee
- C Minute of Cabinet