

TITLE	Capital Outturn 2018/2019
FOR CONSIDERATION BY	The Executive on Thursday, 30 May 2019
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance - tbc

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

To inform members of the capital programme outturn for 2018/2019, seek approval for the relevant budget carry forwards and demonstrate effective and safe use of our resources to deliver service improvements and service continuity through capital investments

RECOMMENDATION

That the Executive is asked to:

- 1) approve the Quarter 4 adjustments to the capital programme – Appendix C;
- 2) note the 2018/2019 Capital Outturn, as set out in Appendix A to the report;
- 3) approve the re-profiling of budgets into future financial years, as set out in Appendix B to the report.

EXECUTIVE SUMMARY

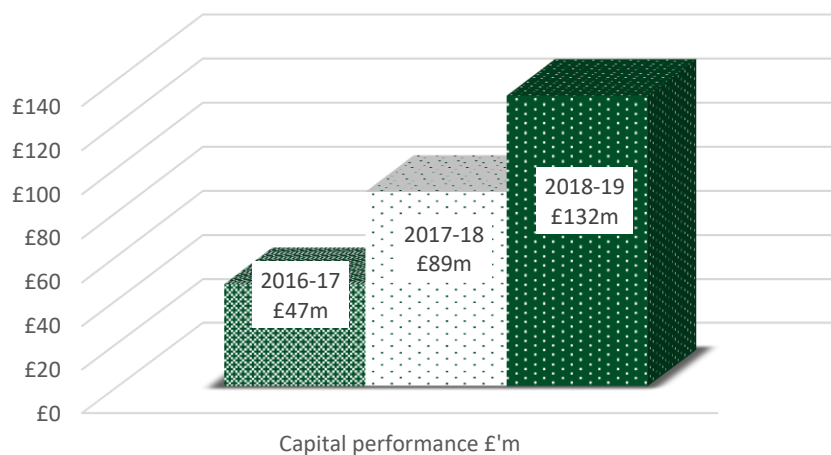
In 2018-19 the Council, against a working budget of **£146.5 million**, made a total capital investment in services of **£132.2 million** representing a spend of 90%

Working capital budget	£146.5m
2018-19 Expenditure	<u>£132.2m</u>
Variance	£14.3m
 Breakdown	
Underspend	£6.8m*
Re-profiling (Carry forward)	<u>£7.5m</u>
	£14.3m

‘* Please note the majority of underspend was due the re-appraisal of two schemes. Once the review has been completed a new bid/scheme will be raised, evaluated and added to programme if approved.

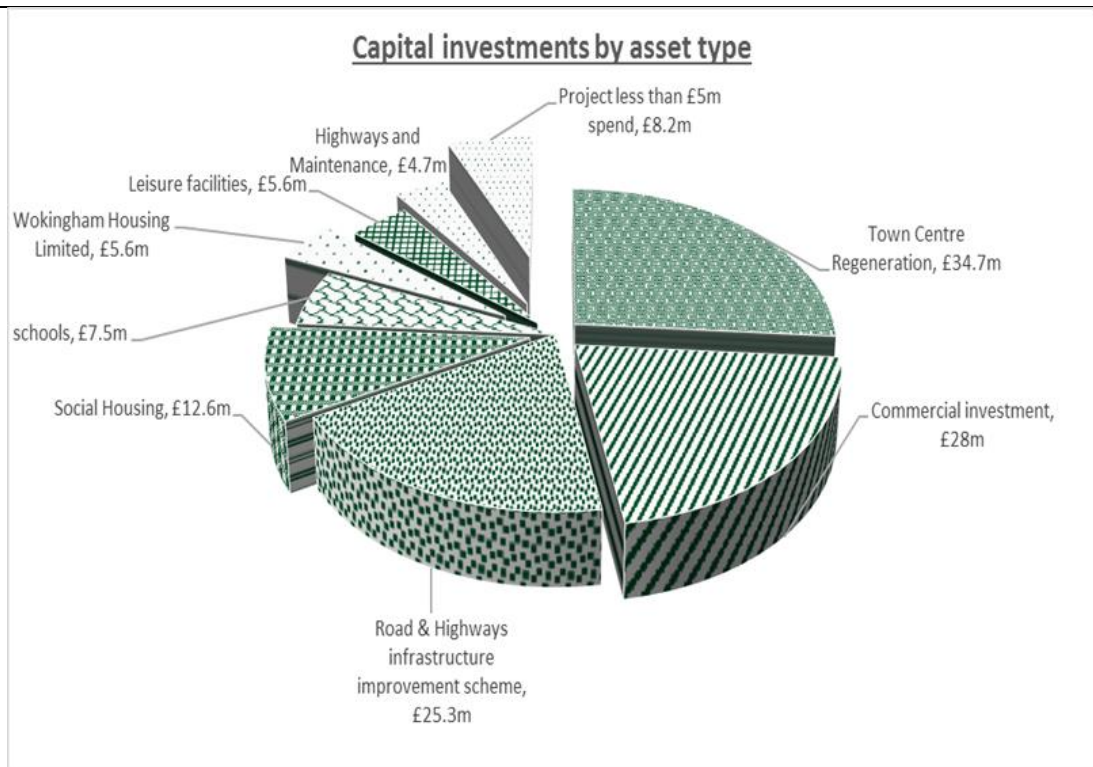
For the second year running the council continues to deliver more capital investment than in any other year in the Council’s history. 2018/2019 represents an increase of £43 million from 2017/2018 expenditure which is a 49.2% year-on-year increase.

Capital performance (£'m)

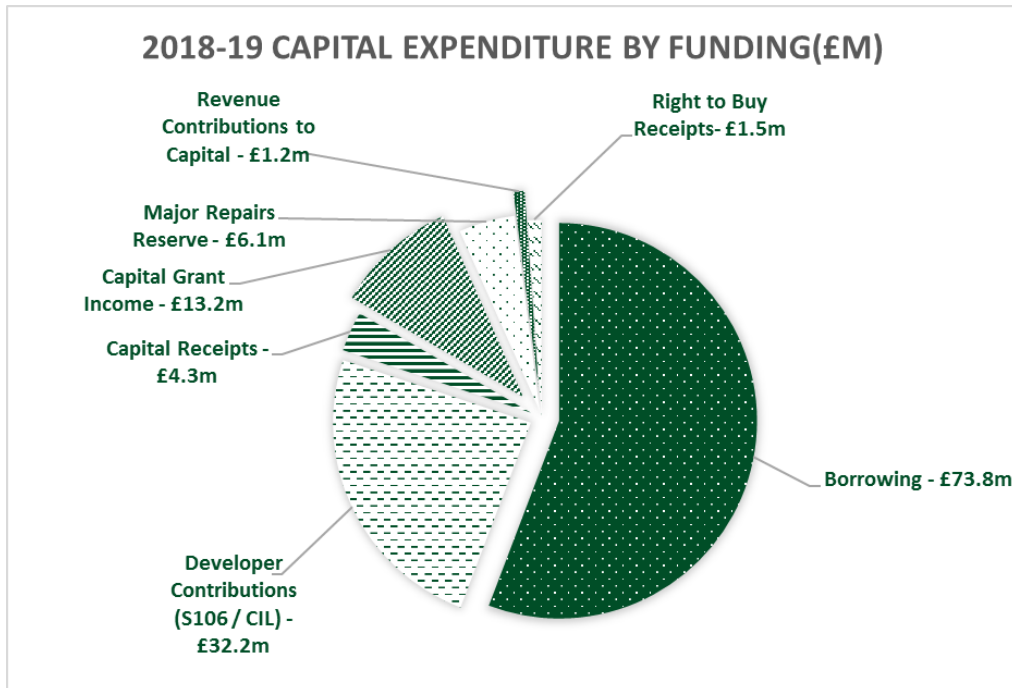


During the year the main areas of capital project investment were:

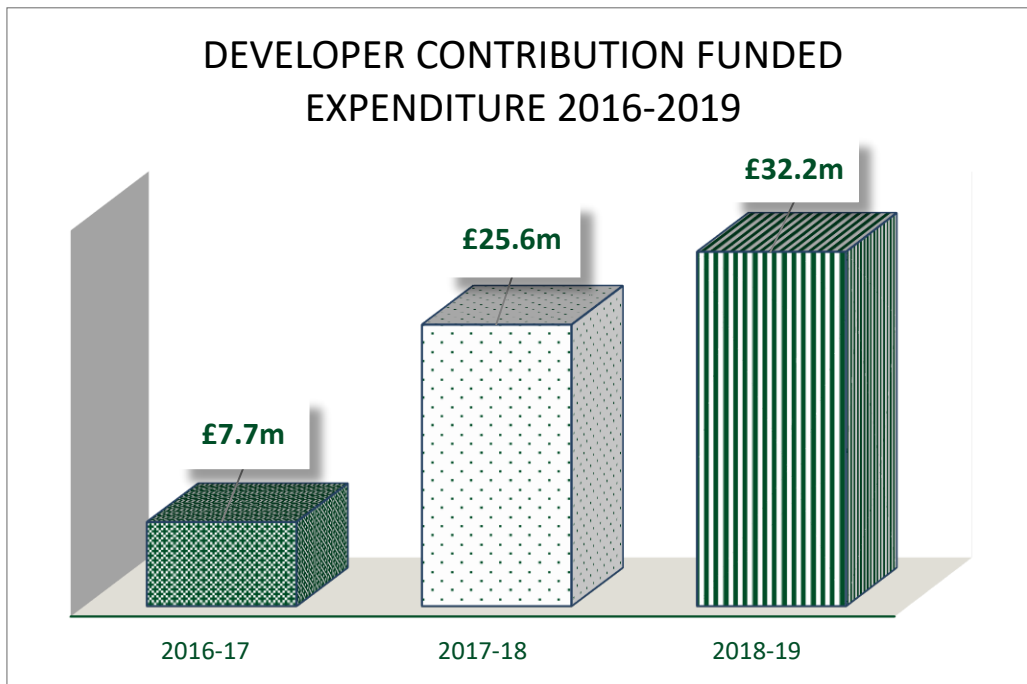
- £34.7 million on town centre regeneration projects (Peach Place, Elms Field and Carnival pool car park)
- £30.0 million on road & highways infrastructure improvements and highways maintenance
- £28.1 million on investments in commercial and regeneration properties (which delivers an gross annual revenue income of £2.8 million)
- £18.2 million investment in new and/or improved social / affordable housing
- £13.7 million on other improvement projects (where individually each scheme is under £5million)
- £7.5 million investment in local schools (new build, extensions and improvements)



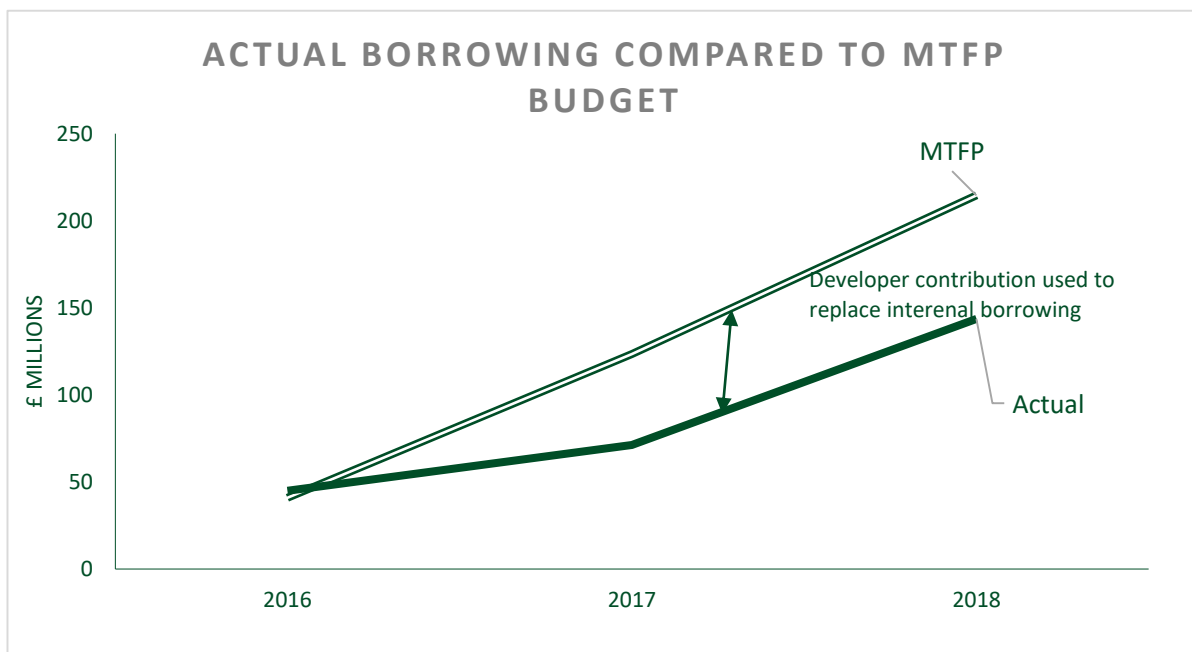
The Council funds its capital expenditure from government grants, developer contributions, capital receipts and borrowing (internal and external).



The Council seeks to maximise the use of developer contributions from Community Infrastructure Levy (CIL) and 'planning gain' (s.106) arrangements to fund capital projects. The amounts applied against the programme over the last three years are shown below:



Developer contributions have been used to fund in year project and to repay forward funded schemes where internal reserves were used to bring forward infrastructure, this is demonstrated in the graph below where actual borrowing significantly less the MTFP budget.



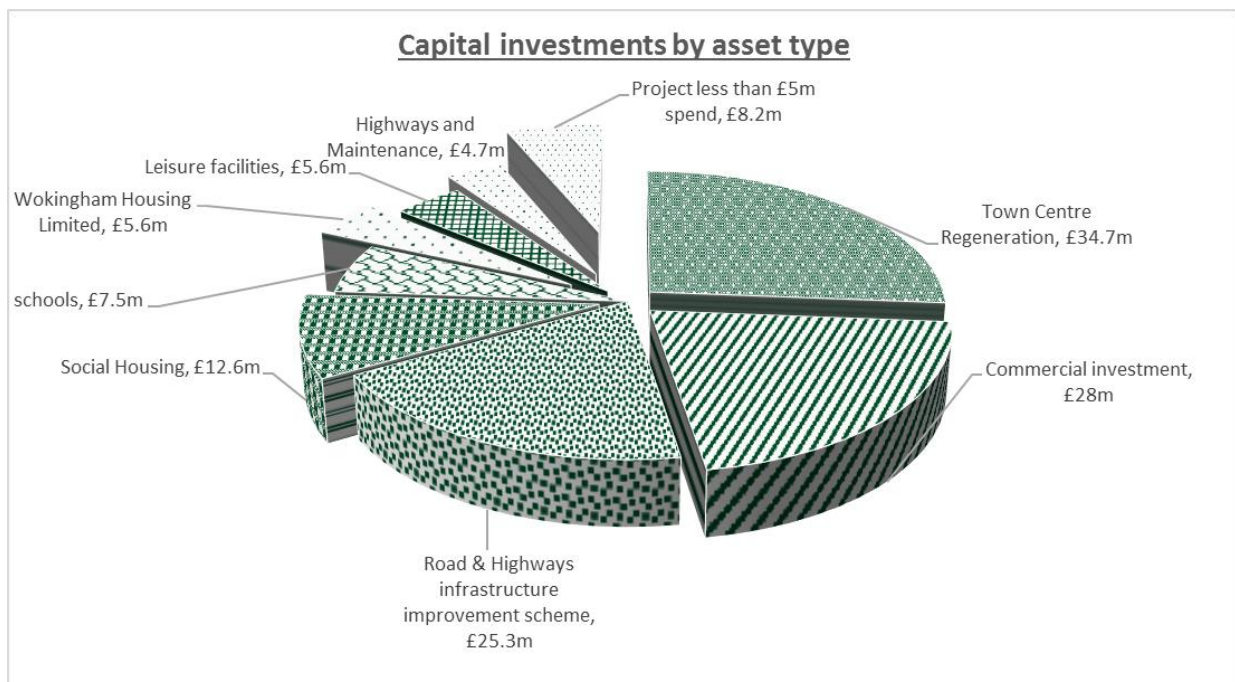
BACKGROUND

Expenditure

During 2018-19 the council has continued its ambitious capital programme, which has enabled the council to meet its key priorities.

The main areas of capital project expenditure are:

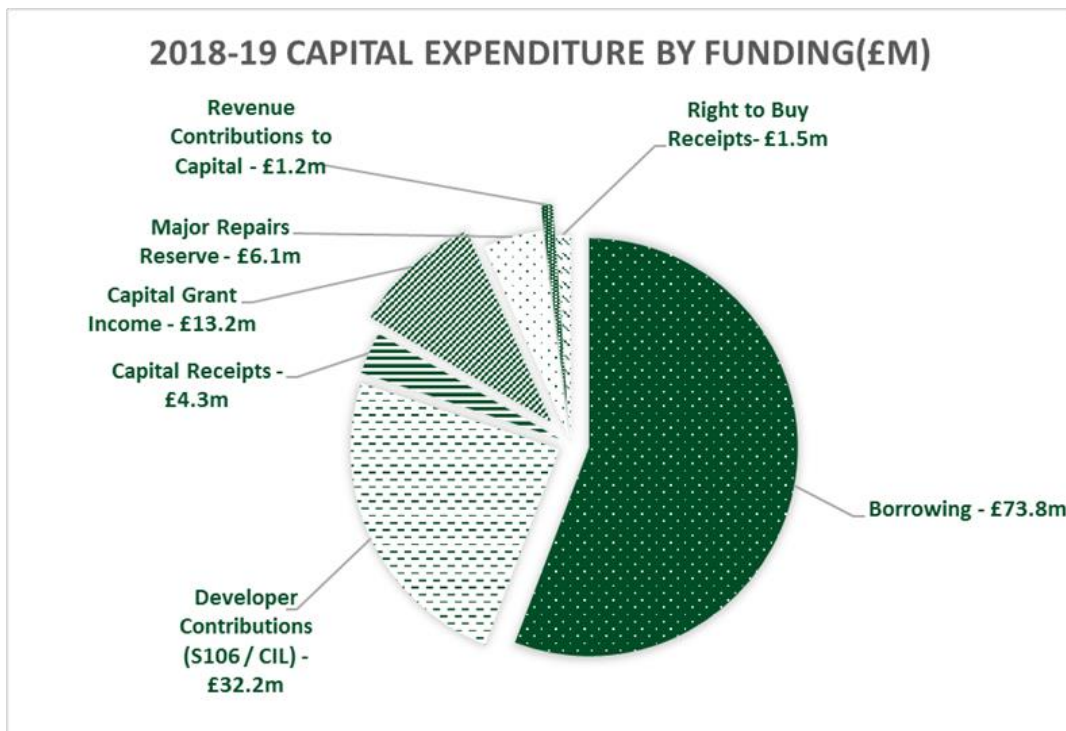
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. Further detail on spend can be found in appendix A sections 2.1 to 2.9

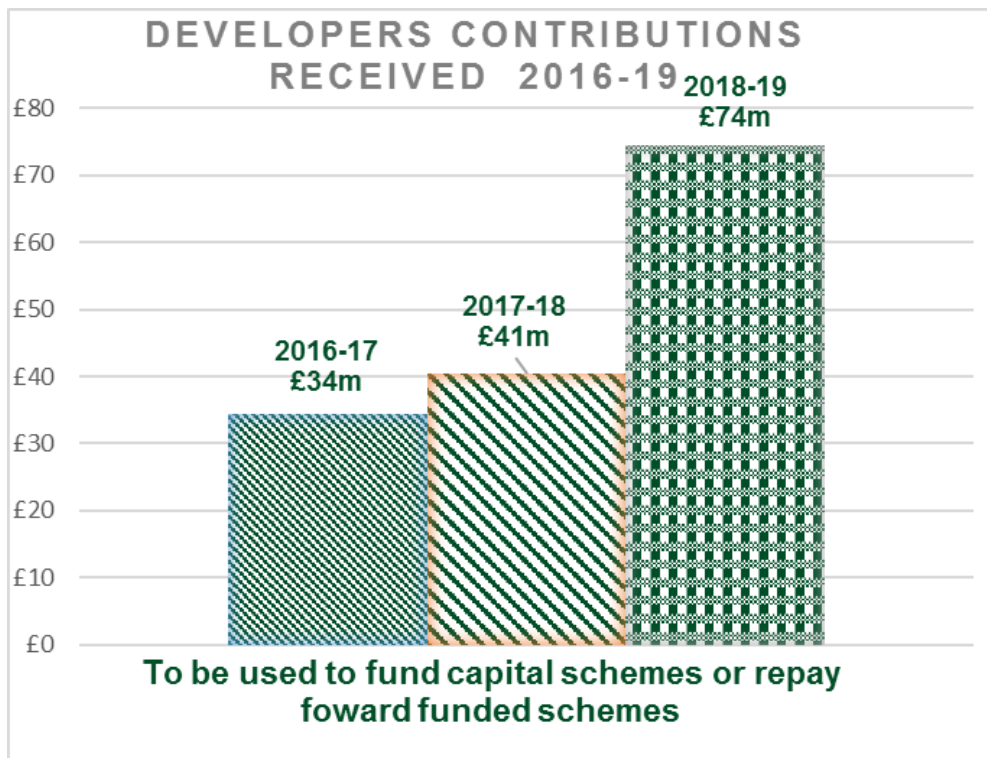
Funding

It is a key requirement that all capital expenditure needs to be funded. Availability of resources to fund this expenditure continues to be in short supply and (as with expenditure) it is essential that these resources are recorded, monitored and allocated to achieve best value for the council and its local tax payers. This includes maximising the use of developer contributions and capital grant funding to reduce the need to borrow, and thus the cost of such borrowing, which will fall upon the local taxation requirement. All borrowing is sustainable, prudent and affordable.



The council continues to deliver capital infrastructure (e.g. strategic roads, schools, etc.) to facilitate growth and development in the borough in advance of contributions to be received from developers in the form of Community Infrastructure Levy (CIL) and s.106 and s.278 agreements (agreements designed to offset 'planning gain'). This is known as 'forward funding' which will eventually be repaid by developer contributions.

These contributions are now being received and will continue for the coming years. The receipt of these contributions have been included when developing the capital vision for the next ten years, and which is updated annually through the capital strategy. The bar chart following page show developer contribution received between 2016 and 31st March 2019



The Council also maintains a prudent reserve to offset any contributions that could be delayed.

Performance

Complex capital build budgets that span a number of years can be difficult to profile accurately and in order to ensure smooth delivery of projects, profiles are generally weighted towards the fastest possible delivery timeline; in practice, these are not always achievable. Appendix C is a list of those schemes which require agreement from the Executive to be re-profiled into future years. It should be noted that the budget for these schemes has already been approved at full Council, and it is the movement of budget between years that is being agreed. Those schemes to which the Council is already contractually committed and/or those for which the majority of funding is by ring-fenced or returnable grant or contributions are automatically carried forward of £7.5million

For 2018/19, there was an under spend of £6.8 million due to:

- £4 million on a self-build project which is to be funded by developer contributions. further work is being completed on the progression of this scheme and new bid/scheme will be evaluated and added to the programme if approved
- £2 million on strategic land purchases currently no acquisitions have been identified. Once any acquisitions are identified a new bid/ scheme will be evaluated and added to the programme if approved

The unused funding resource will be returned to capital reserves and then recycled to support new projects in future years (subject to Council approval) or used to reduce the underlying need to borrow.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£132.2m	Yes	Capital
Next Financial Year (Year 2)	As per MTFP	Yes or No	Capital
Following Financial Year (Year 3)	As per MTFP	Yes or No	Capital

Other Financial Information

Robust monitoring is carried out on a monthly basis and reported to CLT. Quarterly monitoring reports are also reported to the Executive

Stakeholder Considerations and Consultation

None

List of Background Papers

Appendix A- Capital outturn report
Appendix B- Carry forwards for approval
Appendix C- Adjustments to the capital programme

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