

TITLE	Capital Monitoring 2020/21 - end of June 2020
FOR CONSIDERATION BY	The Executive on Thursday, 30 July 2020
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Effective use of our capital resources to meet the Council Plan investment priorities, and delivering value for money for residents.

RECOMMENDATION

The Executive is asked to:

- 1) note that the Council's Capital Programme will continue to be reviewed throughout the year in the context of the impact of Covid-19 on funding sources and service requirements, and that any changes will be presented to Executive for approval;
- 2) approve the proposed rephrasing to parts of the Capital Programme following the 'in-year' review including the impact of Covid-19, as set out in Appendix B;
- 3) approve £600k additional budget funded by borrowing for the Dinton Pastures Activity Centre (DAC), for changes necessitated as an outcome of public consultations and planning requirements. The cost of borrowing estimated at £27k p.a. will be covered from expected additional incomes generated by the new activity centre, as set out in paragraph 6 of the Executive Summary of the report;
- 4) note a reduction of the Schools Devolved Formula grant budget in the capital programme to £302k, due to the Council receiving £87k less than originally budgeted, as set out in paragraph 7 of the Executive Summary;
- 5) to approve borrowing of £288k for the purchase of hessian sacks which will have the effect of increasing recycling levels and generating a beneficial financial impact far in excess of the cost of borrowing, as set out in paragraph 8 of the Executive Summary;
- 6) to note that consultants will be engaged within existing budgets to review the noise levels and options with regards to recent major resurfacing works, as set out in paragraph 9 of the Executive Summary;
- 7) note the quarter one position for the capital budgets as set out in Appendix A to the report as summarised in the Executive Summary.

EXECUTIVE SUMMARY

1. This report informs the Executive of the progress of the Council in delivering its capital programme for the financial year 2020/21. The Executive have previously agreed to consider Capital Monitoring Reports on a quarterly basis and this report highlights the capital monitoring as at the end of the first quarter of the financial year (30th June 2020).
2. The Covid-19 pandemic has had an unprecedented impact on the Council's finances, in terms of both its revenue and capital resources. It is therefore essential that the capital programme is closely reviewed to assess the assuredness of funding sources and if there have been any changes in service requirements. The Council on the other hand must recognise that capital investment will play an important role in local and regional recovery from the impact of the crisis.
3. The Council's finance service has conducted a review of the programme to identify rephasing of projects match expected delivery. This is carried out every year, but now with extra emphasis on the impact of the Covid-19 pandemic on both the delivery of projects but more importantly any delays in the funding streams (for example developer contributions). It is essential to point out that projects identified are deferring either the start of the project or the commencement of the main works element of the project. The review has identified **£105.4 million** of rephasing and this is summarised below; a full list of the projects is at Appendix B and Executive is asked to approve the rephasing of these projects.

Projects rephased due to Covid-19	Other projects rephased
£20.7 million	£84.7 million

4. The programme will continue to be monitored and reviewed throughout the financial year and any further rephasing will be notified to Executive for approval.

Capital Monitoring Forecast Outturn Position for 2020/21 (as at 30.06.20):-

	£'million
Capital Programme approved at Council (Feb 2020)	157.3
Budget rephased from prior years (existing projects)	157.1
Capital Approved Budget	314.4
Budget rephased to later years	105.4
Working capital programme	209.0
Recommendations:-	
Schools Devolved Formula – reduction in grant	(.087)
Dinton Activity Centre – additional budget	.6
Hessian sacks – additional budget	.288
Revised capital working programme for 2020/21	209.8
Forecast variances to the programme (see below)	0.0

Further information can be found in Appendix A.

5. As at 30 June 2020, the project managers are predicting that the revised programme (after re-phasing) will spend as per the working budgets, with no variances forecast at this point of the year.
6. The Dinton Pastures Activity Centre (DAC) project is facing a shortfall in budget of £600,000 caused by changes to the final works that have become necessary following the outcome of public consultations and planning requirements. It is anticipated that this will be funded by external borrowing, the cost of which (both principal and interest) will be met from additional income generated for the new activity centre. Executive is asked to approve a supplementary estimate for the budget and to note the corresponding increase in the borrowing requirement.
7. The Schools' Devolved Formula grant funding from the DfE is £87,000 less than originally budgeted in the capital programme reported in February. As there is no approval to make up this shortfall from Council funded balances, the original budget of £389,000 has been reduced to £302,000 accordingly to match the funding shortfall.
8. Changing global paper markets have created an increasingly restrictive approach towards wet waste. This emerging issue together with the Council's commitment towards higher recycling targets (consistent with its Climate Emergency declaration) makes it necessary to replace the current open black plastic boxes with sealable hessian sacks. The annual costs of the new sacks and an extra vehicle and crew to maintain existing collection standards with a sealable sack receptacle is estimated at £295k p.a. The financial benefit arising from increased recycling and reduced disposal costs, as a result of this initiative, is estimated at £698k p.a. There would therefore be a net saving of £403k p.a.
9. Study research will be commissioned to consider issues and options around noise levels on A33, in response to concerns raised by local residents.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£209.8 m	Yes	Capital
Next Financial Year (Year 2)	£105.4 m	Yes	Capital
Following Financial Year (Year 3)	Not yet formulated	Yes	Capital

Other Financial Information

None

Stakeholder Considerations and Consultation

Stakeholders should be reassured of the effective management of the council's resources.

Public Sector Equality Duty

An equalities income assessment is not required for this report.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

Supplementary estimate for Dinton Pastures Activity Centre will enable the undertaking on an additional climate emergency project to enable the new building to be carbon neutral.

List of Background Papers

Appendix A: Capital Monitoring Summary Report to June 2020.

Appendix B: List of proposed rephasing of projects

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