

TITLE	Capital Monitoring 2021/22 - Outturn
FOR CONSIDERATION BY	The Executive on Thursday, 30 June 2022
WARD	None specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance - Imogen Shepherd-DuBey

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

To inform members of the capital programme outturn for 2021/2022, 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) note the outturn position of the capital programme for 2021/22 as summarised in the report below and set out in detail in appendix A;
- 2) approve and note the proposed fourth quarter carry forwards into the 2022/23 Capital Programme, as set out in appendix B.
- 3) note and approve the Quarter 4 budget adjustments to the 2021/22 capital programme which include;
 - a) reduction in the capital programme budget of £128.3k for Emmbrook Secondary Schools, devolved capital programme, as the budget was transferred to the school which has become an academy.
 - b) use of affordable housing S106 receipts to fund learning disabled accommodation projects in the current year's capital programme.
- 4) note and approve to the following changes to the 2022/23 capital programme which include:-
 - a) An additional £600k budget for supporting the building of a new Special Education Needs (SEN) School at Winnersh Farm, (being built by the Department of Education). This is funded in full from a ring fenced grant for this project from DLUHC.
 - b) An additional £700k budget for urgent improvements to Clements Close (part of the HRA stock) project. This is funded by ring fenced receipts from the sale of previous individual vacant council houses.

- c) A reduction in the capital programme budget of £141k across schools devolved programme. This will reduce the budget allocation to match the now confirmed grant funding from the DfE.
 - d) An additional £50k budget for fit out costs for Ryeish Green Learning Disability Accommodation. This is funded in full by a ring-fenced contribution from NHS Berkshire.
 - e) A budget virement of £2.165m from the 'primary basic needs' budget into the 'secondary basic needs' budget, as part of the new programme to increase the number of secondary school places in the borough.
- 5) Approve the amendments to the '754 DFG aids and adaptations policy' as set out in the report.
- 6) Approve all uncommitted unringfenced capital schemes to be paused pending a review that will be reported back to July Executive, whereby the Deputy Chief Executive in consultation with the Leader of the Council and Lead Member of Finance will have delegated authority to proceed specific schemes by exception.

EXECUTIVE SUMMARY

This report informs the Executive of the final position of the Council in delivering its capital programme for the financial year 2021/22. The Executive have previously agreed to consider capital monitoring reports on a quarterly basis and this report highlights the capital outturn as at the year end (31 March 2022).

The COVID 19 pandemic continues to have a financial 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.

In 2021/22 the Council, against a budget of £163 million (£176m working capital programme less savings of £13m), made a total capital investment in services of £119 million representing a spend of 73%. The total underspend across the capital programme was c£13 million. The table below shows the financial summary for 2021/22.

		£'million
Capital programme approved at Council (Feb 2021)	a	215.4
Budget repashed from prior years (existing projects)	b	209.2
Budgets movements in year (including removal of new Crematorium project)	c	(4.2)
Approved Budget	d = a + b + c	420.4
Budget repashed to later years (agreed in previous quarterly Executive reports)	e	244.3
Working capital programme	f = d - e	176.1

Further budget identified to be rephased in 2022/23		
- projects started and / or funded from ringfenced funding		23.6
- subject to approval (see appendix B)		20.3
Actual capital expenditure in 2021/22		119.3
	g	163.2
Total savings against working capital programme	h = g - f	(12.9)

A breakdown of the material savings by directorate include;

	£m
<u>Adult Social Care and Health</u>	
- ASC and Optalis Transformation Programme through utilisation of revenue budget to free up capital funding	(£0.85m)
- Learning Disability Outreach and Overnight Respite Centre - Reduced scope of works via refurbishment rather than new build	(£0.70m)
- Adult Social Care - Community Equipment. Costs identified to be funded from existing revenue budgets rather than capital budget	(£0.21m)
The Following savings have been identified with projects to be considered as part of future MTFP projects	
- Investment in Manual Handling Equipment to Reduce Domiciliary Care costs	(£0.32m)
- Connected Care. Project not required and offered up as savings due the MTFP process	(£0.09m)
<u>Chief Executives Office</u>	
- Budget for capitalisation of communications and engagement staff not required as costs do not meet capitalisation requirements	(£0.26m)
- Provision for Fibre optic cable budget at Waterford House and Shute End. Complexities of project made it unviable	(£0.04m)
<u>Children's Services</u>	
- Furniture, fittings, and equipment budgets not required at following completed projects (Highwood, Charvil, Windmill & Wheatfield)	(£0.36m)
<u>Housing Revenue Account (HRA)</u>	
- Additional VOID Works in gorse ride regeneration project. This will be funded from the major repairs reserve	£0.20m
<u>Place and Growth</u>	
GCN (Great Crested Newt) District Level Licence - External organisation to deliver requirements	(£4.80m)
Temporary Accommodation Improvement Works at Grovelands Park - Phase 2 being transferred to HRA and funding within existing HRA budget	(£2.70m)
Longmoor Lake Reservoir Lake Outlet - unforeseen engineering works due to the structural integrity of the dam which was not known at the outset	£0.12m

<u>Resources and Assets</u>	
- Corporate Contingency - saving as budget not required in 21/22	(£1.08m)
- Bulmershe Swimming Pool / Leisure Centre (new build) - Savings reflect efficiency achieved through streamlined procurement & design development.	(£1.06m)
- Town Centre Regeneration (Strategic acquisitions) – No further acquisitions expected	(£0.71m)
Other projects with small variances across entire programme	(£0.02m)
Total	(£12.88m)

Some of the savings identified are self – funded schemes. Approximately £3.5m of the savings can be reinvested to fund other schemes in the medium term financial plan.

Further information can be found in Appendix A.

Carry Forwards

The Executive are asked to approve the fourth quarter carry forwards into the 2022/23 Capital Programme, as set out in appendix B. The executive has previously approved carry forwards every quarter totalling £244.3m over the last three quarters.

Appendix B lists budget carry forwards requiring approval of Executive. As highlighted in the table above, £43.9m (quarter four movement) has been identified to be rephased in 2022/23. As per the finance regulations (Regulation 12.1.16.20), any project that is funded by ringfenced funding or has started will be automatically carried forward at the financial year end. This equates to £23.6m which leaves £20.3m of carry forwards listed in Appendix B which require approval to carry forward into 2022/23.

A full review of the 2022/23 capital programme (including carry forwards) is planned to be undertaken over the next few months. This exercise is an important part of financial management, particularly in the current climate with inflation risks and limited capital funding resources over the MTFP period.

Quarter Four Budget Adjustments

The Executive are asked to note and approve the following budget adjustments;

Adjustments to the 2021/22 capital programme:-

- reduction in the capital programme budget of £128.3k for Emmbrook Secondary Schools, devolved capital programme, as the budget was transferred to the school which has become an academy. Schools devolved budgets are fully funded by ringfenced grants from DfE. Unspent grant moves to the academy on conversion.
- use of affordable housing S106 receipts to fund learning disabled accommodation projects in the current year's capital programme.

- a) Learning Disabled Accommodation Service Transformation, project budget £2.4m.
- b) Learning Disabled Accommodation Demand Management, project budget £1.2m.

Adjustments to the 2022/23 Capital Programme:-

- Supporting the building of a new Special Education Needs (SEN) School at Winnersh Farm, specifically for abnormal build costs of the school (being built by the Department of Education) and the provision of a new road on the site – increasing the budget in 2022/23 by £600k which is funded from ring fenced grant from the OPE (One Public Estate) pot and specifically the LRF (Land Remediation Fund) from the Ministry of Housing, Communities and Local Government's Land Release Fund (now part of DLUHC), covering increased costs of the works.
- Increase in capital programme for urgent improvements to Clements Close (part of the HRA stock) project of £700k funded by ring fenced receipts from the sale of individual Council Houses (vacant properties).
- Reduction in the capital programme budget of (£141k) across the Schools Devolved programme to match the final confirmed allocation from the Devolved Schools grant. The budget amount set in the MTFP was an estimate based on the estimated ringfenced grant allocation.
- Increase in capital programme for fit out costs for Ryeish Green Learning Disability Accommodation (flats) of £50k, funded by a ring-fenced contribution from NHS West Berkshire. Costs included fixtures and fitting (including some specialist), landscaping and Sensory Room equipment.
- Virement of £2.165m in the 2022/23 capital programme from Primary Basic Needs budget into the Secondary Basic Needs budget, as part of the new programme to increase the number of Secondary school places in the Borough, with new modular buildings at Piggott, Emmbrook and St. Crispin's schools to create 1 additional form of entry at each school.

Amendments to the '754 DFG aids and adaptations policy'

“Wokingham Borough Council Housing Strategy 2020-2025 has aspired to provide its residents with “Right Homes, Right Places” Housing plays a huge role in the health, environmental and economic well-being of everyone who lives in the borough. It is more than just bricks and mortar; everyone is affected by housing. Housing has become the defining economic and social issue of our times. Wokingham Borough Council have committed to support people, where it is needed most, to live independently in their own homes.

Adult social care strategy 2020-2024 states that our focus is on promoting independence, supporting people to help themselves and providing choice, control and flexibility. Publicly funded care and support will only be provided when it is really needed.

Disabled Facilities Grants (DFG) are a means tested form of support which enable people to adapt their homes and overcome disability/illness which is affecting their safety and independence. The Service currently has a backlog of DFG applications many of which are for smaller housing adaptations such as stairlifts and ramps. The DFG 'test of means' is widely criticised for being complicated, unfair and out of date; of people being assessed as needing an adaptation around a third drop out along the way, usually due to not being able to afford the customer contribution.

The service is therefore seeking approval to amend the 754 DFG aids and adaptations policy to provide them with greater flexibility and the ability to help more residents to adapt their homes more quickly. These changes will allow the Service to meet its statutory obligations and strategic objectives.

The Executive are asked to approve the following amendments to the Discretionary Grants section* of the Policy;

- Waiver the test of means for eligible works estimated to be under £5,000,
- Partial waiver of the first £5,000 of any assessed customer contribution towards eligible works,
- Provide a non-means tested Hospital Discharge grants of up to £3,000 for any reasonable works to the disabled residents home to support rapid discharge home from hospital, or any 'discharge to assess' placement and to prevent readmission. For example, complete essential repairs to secure property, heat, deep clean, and clear essential rooms used by the disabled resident.
- Provide discretionary grants to fund 5 year service and maintenance of any stairlift and wash dry toilets provided under the DFG mandatory or discretionary grant.

And under the General Requirements section of the policy;

- that only one written quote is needed for works estimated at £10,000 and under (subject to appropriate procurement regulations and/ or material decision)

*NB; Discretionary grants are only provided to fund eligible works as determined by an Occupational Therapists. Mandatory DFG's are prioritised and so Discretionary Grants are subject to funds being available. "

BACKGROUND

Capital Expenditure

In February 2021, the Council approved the Capital Programme of £215.4m for 2021/22. During 2021/22 a further £204.6m was added to the programme through a mixture of carry forwards from 2020/21 and in year budget movements.

During the year, officers' profile a working (deliverable) budget. As of 31 March 2022, the working budget was set at £176m; this is the budget that the Council monitors to and records against. The surplus above the working budget is reprofiled to later years and agreed by Executive on a quarterly basis.

During 2021/22 the Council has invested in the following key areas.

MTFP category	Expenditure 2021/22 £m
Roads & Transport	£48.8m
Investment and Regeneration	£45.7m
Children Services and Schools	£9.3m
Climate Emergency	£7.0m
Environment	£4.8m
Internal Services	£2.4m
Adult Social Care	£1.3m
Total	£119.3m

The Council has continued to deliver its ambitious capital programme, which contribute to meeting its strategic priorities set out in the Community Vision 2020 to 2024, these are:-

- Enriching Lives
- Safe, Strong Communities
- A Clean and Green Borough
- Right Homes, Right Places
- Keeping the Borough Moving
- Changing the way we work for you

Capital Funding

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

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 table below shows for 2021/22 by type of funding, the budget and actual funding. Wherever possible, the Council will aim to utilise funding such as grants and developers' contributions before using borrowing as shown in the table below where the £12.9m underspend has been saved on borrowing.

Funding	Working Capital Budget £m	Actual Spend £m	Funding Variance £m
	<i>a</i>	<i>b</i>	<i>b-a</i>
Borrowing	56.1	43.7	(12.4)
Developer contributions	39.1	39.0	(0.1)
Capital grants	9.9	9.3	(0.6)
Capital receipts	18.9	18.0	(0.9)
Contribution from reserves	8.2	9.3	1.1
Total capital funding	132.2	119.3	(12.9)

Note - Working capital budget is calculated as:- approved budget less carry forwards into 2022/23.

Net Indebtedness

When the Council has to borrow, this is at the most opportune time and based on the need to borrow and not in advance based on the proposed expenditure plans. Thus the Council will use its internal balances at times to defer the borrowing requirement until the market offers the best rates and lowest costs.

When considering the external debt, this should be offset by the level of cash investments the Council, which gives the level of net indebtedness of c£62 million in the general fund, as shown in the table below:

As at 31 March 2022	£m
Total general fund external debt	£186m
Less total cash investments	(£124m)
Net indebtedness total	£62m

In addition, the Housing Revenue Account (HRA) has external debt of c£67 million. This is excluded from the table above as the HRA is a ringfenced account with external borrowing funded from housing tenants.

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)	£119.3m	Yes	Capital
Next Financial Year (Year 2)	As per MTFP	As per MTFP	Capital
Following Financial Year (Year 3)	As per MTFP	As per MTFP	

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

Public Sector Equality Duty
Equality assessments are carried out as part of each capital project

Climate Emergency – <i>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</i>
The capital programme includes projects which help achieve our priorities in relation to climate change.

List of Background Papers
Appendix A - Capital outturn report 2021/22 Appendix B - Approval of carry forward budgets

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