

<b>TITLE</b>	Capital Outturn 2022-23
<b>FOR CONSIDERATION BY</b>	The Executive on 29 June 2023
<b>WARD</b>	(All Wards);
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance - Imogen Shepherd-DuBey

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

To inform members of the capital programme outturn for 2022/2023, 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 2022/23 as summarised in the report below and set out in detail in appendix A;
- 2) approve and note the proposed carry forwards in the capital programme as set out in Appendix B.
- 3) note and approve the Quarter 4 budget adjustments to the 2022/23 capital programme which include;
  - a) An additional £63,081 budget for fit out costs for Ryeish Green Learning Disability Accommodation. This is funded in full by a ring-fenced contribution from NHS Berkshire.
  - b) An additional £77,000 budget for works on Dinton Barn is required to meet the latest costs of the project following a recent procurement tender process. This is funded in full from the SANG maintenance reserve.
  - c) An additional £121,607 budget towards Winnersh Farm SEN School. This is funded in full from Reading Borough Council and is a contribution towards abnormal costs identified in the project.
- 4) approve the capital funding and the expenditure budget of £956,000 for the purchase of four properties as part of the single homelessness accommodation programme (SHAP). This will be funded from S106 developer contributions (£150,000), ringfenced grant (£359,408) and the remainder from HRA borrowing (£446,592).

## **EXECUTIVE SUMMARY**

This report informs the Executive of the final position of the Council in delivering its capital programme for the financial year 2022/23. 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 2023).

As highlighted the Medium Term Financial Plan for 2023/24, the Council face significant financial challenges, 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 plays an important role in providing new and enhanced services for our residents. In 2022/23 a total capital investment of £67 million was made across the Council, delivering various new facilities and significant improvements to existing assets. The total underspend across the capital programme was c£51 million. Many of the savings were identified throughout the year as part of the capital programme review and included in the 2023/24 budget setting process. There are different types of savings, of which, some will not result in additional funding being available to be used elsewhere. For example, where projects were to be self funded from cost reductions or income generation. Many savings were identified throughout the year and factored into the financial funding envelope available for the medium term financial plan (2023/24 onwards).

The table below shows the financial summary for 2022/23.

		£'million
Capital programme approved at Council (Feb 2022)	a	123.2
Budget rephased from prior years (existing projects)	b	288.2
Budgets movements in year	c	28.6
<b>Current approved budget</b>	<b>d = a + b + c</b>	<b>440.0</b>
Actual capital expenditure in 2022/23	e	66.6
Carry forward into future years (2023/24 onwards)	f	322.1
<b>Forecast variance (underspend) / overspend</b>	<b>g = (e+f) - d</b>	<b>(51.3)</b>

As of 31 March 2023, there are £(51.3m) in savings across the capital programme identified. Some savings relate to projects that were to be self-funded through cost reductions or income generation and therefore the saving reflects the reduction in the need to spend and doesn't result in funding to be available to be used elsewhere. Where savings on projects which are funded from unringfenced funding such as grants, capital receipts, community infrastructure levy, these savings have been factored into the funding envelope available for the medium term financial plan (2023/24 onwards). A breakdown of the material (savings) / overspends by directorate include;

	£'million
<b><u>Adult Social Care</u></b>	
Community equipment – saving identified from utilising other budgets and receiving one off funding from Health.	(£0.11m)
<b><u>Chief Executive's Office</u></b>	
IT - Hardware (mobile phone replacements). <i>Reported in capital programme review paper (Jul'22)</i>	(£0.08m)
Optalis IT kit windows 10 upgrades	(£0.05m)

<b><u>Children's Services</u></b>	
Matthews Green (St. Cecilia CofE Primary School) - efficiency savings throughout life of the projects (design + procurement). <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.85m)
Schools Condition Maintenance – programme delivered.	(£0.30m)
New Arborfield Primary - efficiency savings throughout life of the projects (design + procurement). <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.27m)
Bohunt Secondary School - contingency budget held for post completion costs not required. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.19m)
School Kitchens - reduction in number schools due to academisation. <i>Reported in Q2 capital monitoring (Oct'22)</i>	(£0.13m)
Schools Access - reduction in need for minor works programme. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.05m)
Primary Strategy - expansion schemes at Loddon and Highwood completed with savings. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.05m)
<b><u>Housing Revenue Account (HRA)</u></b>	
Housing Repairs & Adaptions for Disabled - plans for spend reduced to match available funding. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.25m)
<b><u>Place &amp; Growth</u></b>	
Winnersh Triangle Parkway - A projected overspend on this scheme has previously been reported at £1.3m due to the car park foundations and scheme re-design following the discovery of a conflicting underground trunk water main. The resolution of this major technical issue has proven to be considerably more costly than originally anticipated due principally to the inevitable time delays and because the Council had contractually committed to the scheme with the main contractor, whereby significant works were underway and material had been ordered, including the main steel structure. The Council is pursuing options for the recovery of costs to mitigate the overspend.	£2.9m
Shinfield Eastern Relief Road – historic budget held for passporting developer funding to University of Reading no longer required.	(£7.68m)
Land Acquisition for Major Road Schemes - budget not required. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£7.3m)
Managing Congestion and pollution - reinvested in active travel and bus priority for 23/24 onwards (via the MTFP) <i>Reported in capital programme review paper (Jul'22)</i>	(£4.8m)
SCAPE Major Road Schemes- schemes near completion including shared costs due to work carried out by others. <i>Reported in Q2 capital monitoring (Oct'22)</i>	(£3.9m)
Payment of commuted sum to WHL - current projects completed. <i>Reported in Q2 capital monitoring (Oct'22)</i>	(£3.9m)
Warren House Embankment Stabilisation. <i>Reported in capital programme review paper (Jul'22)</i>	(£3.0m)

Greenways. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£2.1m)
Wokingham Town Centre Environmental Improvements. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£1.4m)
Highways Infrastructure Flood Alleviation Schemes. <i>Reported in capital programme review paper (Jul'22)</i>	(£1.3m)
Bridge Strengthening - Earley Station Footbridge. <i>Options for site being to be revaluated and if required a new bid will be submitted in a future year. Reported in Q3 capital monitoring (Jan'23)</i>	(£0.9m)
Completed Road Schemes Retention - No further liabilities identified	(£0.7m)
Public Rights of Way Network. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.6m)
Electric Vehicle (EV) Charge Points - Budget reduced to match government grant approved. <i>Reported in Q2 capital monitoring (Oct'22)</i>	(£0.46m)
Transport corridor improvements (Shepherds Hill to Thames Valley P+R) - works focusing on Sutton Seed Roundabout. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.43m)
A329(M) & Drainage (Central Reserve Concrete Barrier and Carriageway). <i>Reported in capital programme review paper (Jul'22)</i>	(£0.35m)
A329 - Wokingham Borough Cycle Network <i>Previous Q3 carry forward now identified as a saving</i>	(£0.18m)
Permanent & Portable Variable Message Signs (PVMS) Project - trail ended with costs less than planned. <i>Reported in Q1 capital monitoring</i>	(£0.10m)
Street lighting column structural testing - less requirement following borough-wide LED street lighting replacement project. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.02m)
<b><u>Resources &amp; Assets</u></b>	
WBC Holdings Ltd – budget held to provide capital loans no longer required.	(£5.19m)
Wokingham Town Centre Regeneration - former Marks & Spencer's Site - Options for site being to be revaluated and if required a new bid will be submitted in a future year. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£3.0m)
Redesigning use of WBC assets to generate future income. <i>Reported in capital programme review paper (Jul'22)</i>	(£1.4m)
Corporate Contingency released to offset additional pressures identified in quarter four.	(£1.23m)
3G provision in the Earley and Lower Earley area to be reassessed.	(£0.8m)
Bulmershe Leisure Centre Redevelopment – savings identified across project budgets.	(£0.33m)
IT / System related projects (server rooms, software and Councillors laptops). <i>Reported in capital programme review paper (Jul'22)</i>	(£0.17m)
Outdoor gyms x 3 locations - scheme reviewed and now cancelled. <i>Reported in Q3 capital monitoring (Jan'23)</i>	(£0.08m)

Town Centre Regeneration - Alexander House Refurbishment – now occupied.	(£0.06m)
<b>Total</b>	<b>(£51.3m)</b>

Some of the savings identified are self – funded schemes which means the savings can't be used elsewhere. Where savings are funded from unringfenced grants or borrowing, these funds have been reinvested to fund other schemes in the 2023/24 medium term financial plan.

Further information can be found in Appendix A.

### **Recommendation Two - Carry Forwards**

As part of the monthly monitoring of the capital programme, the profiling of expenditure is reviewed and where required, a more realistic profile of the expenditure over the life of the project will be updated. Appendix B provides a list of the capital carry forwards identified in the last quarter of the year. Previous carry forwards have been presented and approved by Executive each quarter. Over the full financial year, a total of £322.1m of carry forwards have been identified. £284.9m were identified at quarter three, meaning a further £37.2m have been identified in the last quarter of the financial year. These projects will be reprofiled across the next three financial years.

The carry forwards in the capital programme relate to budget envelopes for projects at different stages. Some budgets in the capital programme are held as placeholders with the detailed viable project business cases, including timelines, still to be developed and approved. Some budgets carry forward are contingency budgets and some budgets have been reprofiled as part of the medium term financial plan. There are also a number of projects that have started and have commitments which will continue into the new financial year.

As part of the Councils enhanced financial monitoring, carry forwards will be analysed in more detail during quarter one to ensure value for money on all capital projects, this includes reviewing the need, the timing and how we procure goods and services. Any variations to the carry forwards will be reported to Executive.

The Executive are asked to approve and note the proposed quarter four carry forwards in the capital programme as set out in Appendix B;

### **Recommendation Three - Quarter Four Budget Adjustments**

The Executive are asked to note and approve the following budget adjustments; Adjustments to the 2022/23 capital programme:-

- Increase in capital programme for fit out costs for Ryeish Green Learning Disability Accommodation (flats) of £63k, funded by a ring-fenced contribution from NHS West Berkshire. Additional cost pressures were identified in the project during the year and the Council secured additional funding to cover these. Project included fixtures and fitting (including some specialist), landscaping and Sensory Room equipment.

- An additional £77,000 budget for works on Dinton Barn is required to meet the latest costs of the project following a recent procurement tender process. This is funded in full from the SANG maintenance reserve. Construction works are due in 2023/24.
- An additional £121,607 budget towards Winnersh Farm SEN School. This is funded in full from Reading Borough Council and is an agreed contribution towards abnormal costs identified in the project.

#### **Recommendation Four - Single Homelessness Accommodation Programme (SHAP)**

Wokingham Borough Council has been chosen as one of 21 local authorities to deliver the young people's element of SHAP. The grant allocation to the Council (£359,408) is intended to support the acquisition of 4 properties for young people aged 18-25 at risk of homelessness. This grant allocation is expected to pay for up to 40% of the capital costs, with local authorities meeting the remaining costs. With the grant allocation, this leaves the Council with an investment required of £596,592 which would be funded by a mix of borrowing (through the Housing Revenue Account) and through the use of s106 commuted sums for affordable housing. The Council would be looking to release up to £150,000 in developer contributions for affordable housing.

The Council have also been award revenue grant to support the running costs for the first three years at a value of £143,907 (average of £47,969 per year). The Council's partner, Two Saints, has been commissioned to deliver the revenue support as they also deliver support for the Council's other Housing First properties. The households will receive intensive Housing First support through the recruitment of 1 x Housing First Coordinator, commissioned through Two Saints. The properties would be let on assured shorthold tenancies for a maximum period up to 3 years to mirror the revenue funding support available. Decisions to extend this support will be looked at closer to the time in line with revenue funding availability (including any extension of grant support).

The Government expects property acquisition to be the quickest route and conditions of funding require the properties to have exchanged contracts by May 2024. The Council is seeking to acquire the 4 properties on the open market within the required timescales.

Profiling the current need for provision for young people aged 18-25 currently at risk of homelessness in the Borough shows that over the last 2 years up to April 2023 there were 8 x 18-25 year olds with a Chaos Index score of 30 or higher. The Chaos Index is a measurement used to identify chaotic people with multiple needs who require additional support. A score of 30 or higher identifies those who are unable to sustain a tenancy without tailored support and is the benchmark to qualify for Housing First support. In the 2 years up to April 2023, the Council only had 8 voids that could be used for this provision at a time when demand for this stock is increasing with 5 additional care-leavers from March 2023 to April 2023 and the number of Unaccompanied Asylum Seeking Children (UASCs) increasing from 28 to 41 from Summer 2022 to Summer 2023. This project funds 4 x self-contained 1-bed apartments with wraparound support for 7 residents. The remaining 3 dwellings will be sourced through the Council's existing stock or its RP partners.

All properties would be let on Social Rents (around 50-60% of market rent). This is a stipulation of the grant agreement. The business model covers all the costs of purchasing

the properties and making them habitable. We have assumed that the properties will not pay stamp duty and are exempt from Right To Buy but are awaiting the release of the SHAP chapter in the Affordable Homes Programme 2021-2026.

A detailed financial model has been undertaken with support from our HRA consultants, Housing Finance Associates Ltd. This has looked at the expected rental income vs the capital financing costs (interest and borrowing repayment). The financial summary is set out below;

	£
Total Scheme Costs	£956,000
<i>Funded by;</i>	
S106 developer contributions	£150,000
Ringfenced grant	£359,408
HRA Borrowing (Balance)	£446,592
Borrowing Payback Period	38 Years
Net Present Value	£110,599

## BACKGROUND

### Capital Expenditure

In February 2022, the Council approved the Capital Programme of £123m for 2022/23. During 2022/23 a further £317m was added to the programme through a mixture of carry forwards from 2021/22 and in year budget movements. During the year, officers' identify carry forwards into future years based on latest profile of project spend. The carry forwards are agreed by Executive on a quarterly basis. Throughout 2022/23 the Council has invested in the following key areas.

<b>MTFP category</b>	<b>Expenditure 2022/23 £m</b>
Roads & Transport	£25.3m
Investment and Regeneration	£24.8m
Children Services and Schools	£7.7m
Internal Services	£4.1m
Environment	£2.7m
Adult Social Care	£2.0m
<b>Total</b>	<b>£66.6m</b>

The Council has continued to deliver its ambitious capital programme, which contribute to meeting its strategic priorities set out in the Community Vision 2021 to 2025, 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 2022/23 by type of funding, the budget and actual funding. Wherever possible, the Council will aim to utilise funding such as unringfenced grants and developers' contributions before using borrowing as shown in the table below where the £32.0m 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	£54.7m	£22.7m	(£32.0m)
Developer contributions	£26.2m	£13.7m	(£12.5m)
Capital grants	£22.1m	£15.4m	(£6.7m)
Capital receipts	£7.2m	£7.1m	(£0.1m)
Contribution from reserves	£7.7m	£7.7m	£0.0m
<b>Total capital funding</b>	<b>£117.9m</b>	<b>£66.6m</b>	<b>(£51.3m)</b>

Note - Working capital budget is calculated as:- approved budget less carry forwards into 2023/24.

### 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£132 million, as shown in the table below:

<b>As at 31 March 2023</b>	<b>£m</b>
Total external debt (including HRA)	£182m
Less total cash investments	(£50m)
<b>Net indebtedness</b>	<b>£132m</b>

### FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and 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)	£66.6m	Yes	Capital
Next Financial Year (Year 2)	As per the MTFP	As per the MTFP	Capital
Following Financial Year (Year 3)	As per the MTFP	As per the MTFP	Capital

#### **Other Financial Information**

In the context of the overall pressure on funding we will continue to review and reconsider all elements of the capital programme in respect of reducing costs and ensuring alignment to the councils strategic priorities throughout 2023/24.

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 – *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***

The capital programme includes projects which help achieve our priorities in relation to climate change.

#### **Reasons for considering the report in Part 2**

None

#### **List of Background Papers**

Appendix A - Capital outturn report 2022/23  
Appendix B - Approval of carry forward budgets

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