

Name of meeting: Corporate Scrutiny Panel

Date: Monday 21st March 2022

Title of report: Financial Management Update - Council Capital Plan

Purpose of report

A high-level financial management update on the Council's Capital Plan incorporating the financial position 2021/22, the multi-year Capital Plan and an overview of governance arrangements supporting the development, prioritisation, and delivery of the Capital Investment Programme.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	No
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & name	Rachel Spencer-Henshall: 9th March 2022
Is it also signed off by the Service Director for Finance	Eamonn Croston: 7th March 2022
Is it also signed off by the Service Director for Legal Governance and Commissioning	N/A
Cabinet member <u>portfolio</u>	Cllr Paul Davies

Electoral wards affected: All
Ward Councillors consulted: N/A
Public or Private: Public
Has GDPR been considered? Yes

1 SUMMARY

Current year update – 2021/22

- 1.1 The Council Budget Report presented to Cabinet on 1 February 2022 and approved at Budget Council on 16th February 2022 updated the capital budget for 2021/22 to £161.7m. The budget has since been updated with a further £3.2m re-profiled into subsequent financial years mainly due to slippage of schemes.
- 1.2 The Council's revised capital budget for 2021/22 is £158.5m. The forecast capital outturn at Quarter 3 is £153.4m; forecast £5.1m variance. Of the forecast £5.1m variance, £3.6m relates to Highways due to reduced staffing and availability of both contractors and materials in relation to Covid.

Budget Council – multi-year capital plan refresh

- 1.3 Budget Council on 16th February 2022 approved a £1.259bn multi-year capital plan covering 2021/22 and the following 5 years.
- 1.4 Key highlights from the 2022/23 Council Budget Report include:
- i) The Capital Plan is split £964.5m General Fund and £294.9m Housing Revenue Account (HRA).
 - ii) Additional investment of £198m was built into the General Fund capital plan.
 - iii) Additional investment of £97m is included in the HRA capital plan.
- 1.5 A Capital Strategy (including prudential indicators) was also approved at Budget Council. One of the key prudential indicators (PI) compares the financing costs i.e., interest payable on loans and MRP (minimum revenue repayments), against the net revenue stream i.e., funding available from Council Tax, business rates and general government grants. The PI increases from 9.7% in 21/22 to 12.0% in 26/27.
- 1.6 The Capital Strategy outlines how governance arrangements are integrated into the annual planning cycle and setting budgets in the Council's medium-term financial plan. The governance arrangements relating to capital planning and compliance with the Council's Financial Procedure Rules (FPRs) are covered in section 2.
- 1.7 Appendix A details the in-year monitoring position as at Quarter 3. Appendices B and C summarise the refreshed multi-year plan and funding streams approved at Budget Council on 16th February 2022 inclusive of subsequent re-profiling identified in Quarter 3 monitoring.

2. INFORMATION REQUIRED TO TAKE A DECISION

2.1 Financial Governance

- 2.1.1 The presentation of the capital plan is based on primary outcomes, reflecting how the Council's investment proposals align with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline programmes and one-off projects. The term primary outcome reflects the fact that schemes may contribute to several Council outcomes not just the primary outcome.
- 2.1.2 Capital projects can be high risk, high profile, and complex schemes delivered over multi-year periods. Many proposals are not fully funded e.g., via external grant, so it is important that a consistent and robust approach is adopted when prioritising and developing a Capital Investment Plan.
- 2.1.3 Business cases are an integral element of the process and are based on the Treasury Five Case Model framework. This assures a consistency in assessing strategic, economic, commercial, financial and management aspects of capital proposals. Business cases must be endorsed by the relevant Programme Board and Strategic Director before they can be considered for recommendation into the Capital Plan. Boards include:

- Children's Capital Board
- Adults Capital Delivery & Oversight Board
- Town Centre Programme Board (individual TC Project Boards report here)
- Major Projects Board
- Economy & Infrastructure Board (SLT)

- 2.1.4 Business cases are completed for strategic priorities and one-off capital projects with the level of detail being proportionate to the risk and complexity of the project. Baseline programmes e.g., Corporate Landlord, IT, HRA Adaptations etc. do not require individual business cases.
- 2.1.5 When the Council works in partnership with external bodies it may need to comply with other specific requirements e.g., Assurance Framework for schemes managed by WYMCA, business case assurance process for Dewsbury Town Deal projects.
- 2.1.6 The Capital Governance Board appraises bids based on Council priority outcomes, funding availability and affordability, and makes recommendations to the Executive Team. The multi-year plan is considered by Cabinet in January (FPR 3.7 & 3.9). Cabinet then recommends to Council in February each year, a multi-year Capital Investment Plan along with the prudential indicators and limits supporting the recommended capital investment (FPR 3.3 & 3.4).
- 2.1.7 Cabinet is responsible for implementing the Capital Plan within the resources allocated (FPR 3.6). In compliance with FPR 3.18, Cabinet is presented with a quarterly report on the overall management of the Capital Plan, including any transfer of resources (virement) within or between programmes. The Cabinet provides summary monitoring information to the Council twice a year.
- 2.1.8 The nature of capital programmes means the potential for material variations in profiled spend can be high e.g., the timing of when external funding is secured, the size and complexity of a scheme leading to longer lead in times than planned etc. As part of financial monitoring, officers review capital budget profiles in year and may recommend project/programme resources are re-profiled between years.
- 2.1.9 Cabinet is authorised to transfer resources within programme areas between any year within the approved capital plan (FPR 3.11.3), subject to the Chief Finance Officer being satisfied that there is no impact on capital funding stream because of the changes (FPR 3.14).
- 2.1.10 Continuing pressures associated with the pandemic and complexities associated with delivering large capital schemes has resulted in £74m of slippage in 2021/22 being re-profiled into future years of the plan. Cabinet approval to move budget allocations between years thereby reduces reported in-year variances.
- 2.1.11 A Project Management Office (PMO) structure has been developed to support strategic priorities within the Sustainable Economy outcome e.g., West Yorkshire Transport Schemes Transforming Cities Fund, etc. In addition, £6.55m was approved to support Gateway 1 Strategic Outline Case & Gateway 2 feasibility work to produce an Outline Business Case for the Cultural Heart project by July 2022.
- 2.1.12 The Council's procedures incorporate flexibility to enable emerging issues to be considered and recognised during the year. Quarterly financial monitoring reports

can be used as a method of taking new/amended capital proposals to Cabinet.

2.1.13 Any additional capital project proposed during the year must identify the source of funding e.g., grant or must ensure future years commitments are contained within the resourcing levels of the existing Medium Term Financial Strategy.

2.1.14 At outturn, capital underspends are normally assumed to roll forward into following financial years. The opportunity is taken to rephase existing planned investment to reflect realistic delivery timescales based on latest intelligence.

2.1.15 The Capital Governance Board reviews existing schemes to identify any funding shortfalls or changes to funding assumptions. Any priorities emerging since Budget Council are considered too.

2.1.16 The 2021/22 financial outturn report to Cabinet/Council later in the year will also consider the following in setting out updated spending and funding forecasts to help inform subsequent budget proposals:

- i) updated Corporate Plan, Council Strategies and Political Priorities
- ii) Current year 2021/22 performance
- iii) COVID-19 impact on current year and future years resourcing and spend forecasts
- iv) emerging local, regional, and national intelligence
- v) scenario/sensitivity modelling against volatile activity

3 Implications for the Council

- (i) Working with people
- (ii) Working with partners
- (iii) Place based working
- (iv) Climate Change & Air Quality
- (v) Improving outcomes for children
- (vi) Other Legal, Financial or other implications

3.1 Acknowledging the developing and challenging global ramifications from current events in Europe, and on the back of the global pandemic the Council's Medium-Term Financial Strategy, revenue, and capital budget plans, will continue to be reviewed over the coming months and emerging issues reported into the corporate member arena in a timely fashion.

4. Consultees and their opinions

Not applicable

5. Next steps and timelines

The Financial Outturn Report 2022/23 will be presented to Cabinet later in the year.

6. Officer recommendations and reasons

For Corporate Scrutiny Panel to note and discuss the contents of this report.

7. Cabinet Portfolio holder's recommendations

As above

8. Contact Officers

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9. Background Papers and History of Decisions

Appendix A - Corporate Capital Budget Monitoring 2021/22 – Quarter 3/Month

Appendix B - Multi-Year Capital Plan

Appendix C - Capital Plan Funding Summary

10. Service Director responsible

Eamonn Croston, Service Director for Finance

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Corporate Capital Budget Monitoring 2021/22 – Quarter 3/Month 9

Appendix A

	Budget Report	Budget Adjustment incl Re-profiling	Qtr 3 Revised Budget	Actuals to Date	Forecast	Variance	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	%
General Fund							
Aspire & Achieve	19,895	(90)	19,805	11,605	19,666	(139)	(1%)
Best Start	611	0	611	81	611	0	0%
Independent	3,163	(279)	2,884	1,117	2,131	(753)	(26%)
Sustainable Economy	88,867	(100)	88,767	43,172	84,935	(3,832)	(4%)
Well	11,950	(1)	11,949	10,403	11,744	(205)	(2%)
Safe & Cohesive	0	0	0	(3)	0	0	0%
Clean and Green	5,755	1	5,756	4,033	5,756	0	0%
Efficient & Effective	3,815	0	3,815	681	3,668	(147)	(4%)
GENERAL FUND TOTAL	134,056	(469)	133,587	71,089	128,511	(5,076)	(4%)
Housing Revenue Account							
Strategic Priorities	7,309	(1,227)	6,082	3,400	6,082	0	0%
Baseline	20,326	(1,475)	18,851	12,421	18,782	(69)	0%
HOUSING REVENUE TOTAL	27,635	(2,702)	24,933	15,821	24,864	(69)	0%
CAPITAL PLAN TOTAL	161,691	(3,170)	158,520	86,910	153,375	(5,145)	(3%)

Multi-Year Capital Plan (post Q3)

Appendix B

Capital Plan Expenditure Summary

Capital Plan Expenditure Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
General Fund:							
Aspire & Achieve	19,805	14,628	14,650	28,150	6,150	3,000	86,383
Best Start	611	3,608	4,750	250	0	0	9,219
Independent	2,884	12,025	2,746	8,863	250	0	26,768
Sustainable Economy	88,767	155,603	175,362	159,767	133,000	35,852	748,351
Well	11,950	6,908	4,048	2,433	1,688	300	27,327
Safe & Cohesive	0	172	0	0	0	0	172
Clean & Green	5,755	6,147	18,166	6,200	14,994	1,584	52,846
Efficient & Effective	3,815	2,870	1,555	1,550	2,000	1,582	13,372
General Fund Capital Plan	133,587	201,961	221,277	207,213	158,082	42,318	964,438
Housing Revenue Account:							
Independent - Strategic Priorities	6,082	29,698	45,660	35,493	20,801	31,986	169,720
Independent - Baseline	18,851	26,509	20,753	15,759	16,936	26,414	125,222
HRA Capital Plan	24,933	56,207	66,413	51,252	37,737	58,400	294,942
TOTAL EXPENDITURE	158,520	258,168	287,690	258,465	195,819	100,718	1,259,380

Capital Plan Funding Summary

Appendix C

General Fund Funding Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	57,726	79,679	90,004	48,023	58,050	32,484	365,966
Earmarked Capital Receipts	3,686	3,138	2,165	4,915	50,482	532	64,918
Service Funded Prudential Borrowing	4,028	4,071	931	3,950	4,350	400	17,730
Revenue Contributions	250	250	250	225	0	0	975
<i>Pooled Resources</i>							
Non-Earmarked Capital Receipts	3,100	3,352	3,500	3,500	3,500	3,500	20,452
Corporate Prudential Borrowing	64,797	111,471	124,427	146,600	41,700	5,402	494,397
GENERAL FUND FUNDING	133,587	201,961	221,277	207,213	158,082	42,318	964,438

Housing Revenue Account Funding Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	203	3,436	3,399	2,302	3,465	6,502	19,307
Earmarked Capital Receipts	2,194	8,896	13,599	11,296	3,868	4,293	44,146
Reserves / Revenue Contributions	7,658	16,691	18,856	4,897	9,107	26,139	83,348
Reserves - MRR	12,939	19,654	13,459	17,757	17,757	17,757	99,323
Corporate Prudential Borrowing	1,939	7,530	17,100	15,000	3,540	3,709	48,818
HRA FUNDING	24,933	56,207	66,413	51,252	37,737	58,400	294,942