

Report to Executive

Agenda
Item:

6(1)(v)

Meeting Date: 14 December 2020
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref: KD.25/20
 Within Policy and Budget Framework YES
 Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 43/20

Purpose / Summary:

The report provides an update to RD33/20 and sets out the proposed capital programme for 2021/22 to 2025/26 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B, for recommendation to Council;
- (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	14 December 2020
Overview and Scrutiny:	BTSP 07 January 2021
Council:	2 February 2021 (Budget Resolution)

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2020/21 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2021/22 to 2025/26, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 8 September 2020:
- Capital Investment Strategy 2021-22 to 2025-26 (Report RD26/20)
 - Asset Management Plan (Report GD43/20)
- 1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. CAPITAL RESOURCES

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
- Borrowing (Prudential Code - see paragraph 6.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts

from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £47,000. This is made up of £17,000 for the cost of the interest payable (1.7% of £1m equates to £17,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. REVISED CAPITAL PROGRAMME 2020/21

- 3.1 The capital programme for 2020/21 totalling £29,915,800 was approved by Council on 14 July 2020 as detailed in the 2019/20 out-turn report (RD14/20).
- 3.2 The revised capital programme for 2020/21 now totals £19,390,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2020/21 is shown below:

Summary Programme	£	Appx
2020/21 Original Capital Programme	29,915,800	A
Other adjustments	(10,525,400)	
Revised Capital Programme (Sept 2020)	19,390,400	A
Estimated Capital Resources available	(20,474,013)	B
Surplus Capital Resources	(1,083,613)	

4. CAPITAL SPENDING PROPOSALS 2021/22 TO 2025/26

- 4.1 The existing and capital spending proposals are summarised in the following table.

Capital Scheme	App/ Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,215	1,159	976	1,851	1,003
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,467	1,467	1,467	1,467	1,467
ICT Infrastructure	4.5	101	76	131	101	101
Leisure Facilities	4.6	15,237	3,450	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Civic Centre	4.8	1,021	0	0	0	0
Savings to Fund Civic Centre	4.8	(200)	0	0	0	0
Carlisle Southern Link Road	4.9	0	5,000	0	0	0
Total Existing Commitments		19,136	11,447	2,869	3,714	2,866
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	(960)	62	795	(171)	163
Crematorium Infrastructure	4.10	350	900	0	0	0
Flare Data Management System	4.11	0	150	0	0	0
Energy Monitoring System	4.12	12	0	0	0	0
Future High Street Fund - Market Square	4.13	100	2,670	0	0	0
Total New Spending Proposals		(498)	3,782	795	(171)	163
Total Potential Programme		18,638	15,229	3,664	3,543	3,029

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000.
- 4.4 Disabled facilities grant allocation will not be known until early into 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the current allocation for improvements and developments to the Council's ICT infrastructure.

- 4.6 This is the updated profile for the renovation and new build of the Sands Centre as previously agreed by Council in October 2020.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 Funding to be identified and vired to support the reinstatement of the Civic Centre Ground floor project from within the overall Capital Programme.
- 4.9 The Council's contribution to the Carlisle Southern Link Road project.
- 4.10 To provide new infrastructure for the crematorium including replacement cremators. The project is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.
- 4.11 An allocation to provide for a new data management system that is used in Environmental Health and Private Sector Housing.
- 4.12 An allocation to provide for an Energy Management System to be installed to monitor energy usage across Council owned property. This scheme is linked to a revenue saving in the Revenue Budget update report considered elsewhere in the agenda (RD42/20).
- 4.13 This project is part of the funding application to the Future High Streets Fund and seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with a funding requirement from the Council of £390,000.

As the budget process progresses, there may be further bids that come to light once full business cases are developed.

4.14 **Climate Change**

The Council's update Local Environment (Climate Change) Strategy will be subject to a report to full Council in the Spring of 2021 following the usual consultation process; the Strategy will be supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan

through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

Specific schemes included within the current capital programme includes investing over £400,000 in LED street lighting; provision of electric car charging points (Appendix A); Energy Monitoring System outlined at 4.12 above which will enable the Council to have closer scrutiny of the energy it uses which should help to reduce its climate footprint.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2021/22 to 2025/26.

Source of Funding	Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	0	(2,446)	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan receipts used to fund resources	5.4	(1,011)	(3,573)	(200)	(200)	(445)
Direct Revenue Financing / Invest to Save	5.5	112	112	0	0	0
		(1,337)	(1,887)	(987)	(987)	(987)
TOTAL RESOURCES		(3,703)	(9,261)	(2,654)	(2,654)	(2,899)

5.2 Disabled facilities grant allocation will not be known until early 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

5.3 General grants and contributions identified as funding streams for projects. The main element of this relates to the Future High Street Fund project for Market Square/Greenmarket (£2.380million).

5.4 Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2021/22 and 2025/26 has been incorporated into the table above.

5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26

6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

Source of Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Estimated in year Resources available (para 5.1)	(3,703)	(9,261)	(2,654)	(2,654)	(2,899)
Proposed Programme (para 4.1)	18,638	15,229	3,664	3,543	3,029
Projected (Surplus)/Deficit	14,935	5,968	1,010	889	130
Cumulative surplus/deficit b/fwd	(1,084)	13,851	19,819	20,829	21,718
Cumulative year end surplus/deficit	13,851	19,819	20,829	21,718	21,848
Borrowing undertaken previously	14,000	14,000	14,000	14,000	14,000
Cumulative deficit i.e. overall borrowing needed to support the capital programme	27,851	33,819	34,829	35,718	35,848

6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD43/20).

The table above shows that there continues to be a borrowing requirement from 2021/22. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Continuous review of the asset disposal programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing a additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

7. RISKS

7.1 The ongoing impact of issues raised will be monitored carefully in budget monitoring reports and appropriate action taken.

8. CONSULTATION

8.1 Scrutiny Panels have considered the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals have been made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

10.1 The capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

PROPERTY – The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan.

FINANCE – Financial implications are contained within the body of the report.

EQUALITY – This report raises no explicit issues relating to the public sector Equality Duty.

INFORMATION GOVERNANCE – There are no information governance implications.

REVISED CAPITAL PROGRAMME 2020/21

APPENDIX A

Scheme	Original Capital Programme 2020/21 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2020/21 £
Sands Centre Redevelopment	16,679,300	(10,644,100)	0	6,035,200
On Street Charging Points Infrastructure	203,700	0	0	203,700
Gateway 44 Development	4,621,900	0	0	4,621,900
Civic Centre Development	2,581,400	0	0	2,581,400
Open Space Improvements	80,700	0	0	80,700
Play Area Improvements	47,800	38,000	0	85,800
Cemetery Infrastructure	5,700	0	0	5,700
Central Plaza	12,300	0	0	12,300
Affordable Homes (S106)	0	50,700	0	50,700
Planning Software	150,000	0	0	150,000
Flood Reinstatement Projects	21,900	0	0	21,900
LED Footway Lighting Installation	203,100	11,700	0	214,800
Rough Sleeping Initiative		50,000	0	50,000
Planned Enhancements to Council Property	396,800	(31,700)	0	365,100
Vehicles, Plant & Equipment	1,532,400	0	0	1,532,400
Recycling Containers	45,000	0	0	45,000
ICT Infrastructure	311,000	0	0	311,000
Disabled Facilities Grants	2,864,600	0	0	2,864,600
Empty Property Grants	23,200	0	0	23,200
SUB-TOTAL	29,780,800	(10,525,400)	0	19,255,400
Capital Reserves to be released				
Play Area Improvements	35,000	0	0	35,000
Cemetery Infrastructure	30,000	0	0	30,000
Skew Bridge Deck	70,000	0	0	70,000
	135,000	0	0	135,000
REVISED TOTAL	29,915,800	(10,525,400)	0	19,390,400

REVISED CAPITAL PROGRAMME 2020/21 – PROPOSED FINANCING

Source of funding	2020/21 Original £	2020/21 Revised £	Notes
Capital Grants:			
• DFG	1,899,800	1,899,800	
• General	2,256,900	2,470,900	1
Capital Receipts:			
• B/fwd from previous year	(2,711,187)	(2,711,187)	
• Generated in year (Asset Review)	2,078,000	1,388,000	2
• Borrowing undertaken	0	14,000,000	
Capital Contributions			
• General	96,700	203,400	3
Direct Revenue Financing	3,223,100	3,223,100	4
TOTAL FINANCE AVAILABLE	6,843,313	20,474,013	
TOTAL PROGRAMME (SEE APP A)	29,895,800	19,390,400	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	23,052,487	(1,083,613)	

Notes:

- Capital grant include revised funding for Sands Centre Development (£2,134,000), Empty Property Grants (£23,200), Play Area Improvements (£60,000), On-Street Charging Infrastructure (£203,700) and Rough Sleeping Initiative (£50,000).
- Asset Review Receipts have been reprofiled into future years.
- General contributions relate to Open Space Improvements (£80,700), Play Area Developments (£24,000), Affordable Homes S106 (£50,700) and Sands Centre (£48,000).
- There are no changes to Direct Revenue Financing.