

# Report to Executive

Agenda  
Item:  
  
**A.2**  
**(b)**

Meeting Date: 13 January 2021  
 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 53/20

## Purpose / Summary:

The report provides an update to RD33/20 and RD43/20 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: | <b>13 January 2021</b>                     |
| Scrutiny:  | <b>n/a</b>                                 |
| Council:   | <b>2 February 2021 (Budget Resolution)</b> |

## **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     |
|----------------------------------------------|--------------------|----------|
| <b>2020/21 Original Capital Programme</b>    | 29,915,800         | <b>A</b> |
| Other adjustments                            | (10,525,400)       |          |
| <b>Revised Capital Programme (Sept 2020)</b> | <b>19,390,400</b>  | <b>A</b> |
| Estimated Capital Resources available        | (20,474,013)       | <b>B</b> |
| <b>Surplus Capital Resources</b>             | <b>(1,083,613)</b> |          |

### 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/<br>Para | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 |
|------------------------------------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b><u>Current Commitments:</u></b>       |              |                 |                 |                 |                 |                 |
| 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               |
| <b>Total Existing Commitments</b>        |              | <b>19,136</b>   | <b>11,447</b>   | <b>2,869</b>    | <b>3,714</b>    | <b>2,866</b>    |
| <b><u>New Spending Proposals:</u></b>    |              |                 |                 |                 |                 |                 |
| Vehicles and Plant                       | 4.2          | (960)           | 62              | 795             | (171)           | 163             |
| Disabled Facilities Grants               | 4.4          | 433             | 433             | 433             | 433             | 433             |
| 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               |
| <b>Total New Spending Proposals</b>      |              | <b>(65)</b>     | <b>4,215</b>    | <b>1,228</b>    | <b>262</b>      | <b>596</b>      |
|                                          |              |                 |                 |                 |                 |                 |
| <b>Total Potential Programme</b>         |              | <b>19,071</b>   | <b>15,662</b>   | <b>4,097</b>    | <b>3,976</b>    | <b>3,462</b>    |
|                                          |              |                 |                 |                 |                 |                 |

- 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 funding is awarded via the County Council's Improved Better Care Fund (iBCF). It has been announced, as part of the Provisional LG Finance Settlement, that funding for the iBCF for 2021/22 will be maintained at 2020/21 cash term levels and that Councils are to get an additional £68million in additional funding for Disabled Facilities Grants; however individual allocations for Councils will not be known until early into 2021/22. For the purpose of this report that the grant is therefore assumed at 2020/21 levels.

- 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 on the agenda (RD52/20).
- 4.13 This project is part of the funding application to the Future High Streets Fund (FHSF) 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 with 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<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 |
|-------------------------------------------|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Capital Grants:</b>                    |      |                 |                 |                 |                 |                 |
| • Disabled Facilities Grant               | 5.2  | (1,900)         | (1,900)         | (1,900)         | (1,900)         | (1,900)         |
| • General Grants/Contributions            | 5.3  | 0               | (2,446)         | 0               | 0               | 0               |
| <b>Capital Receipts:</b>                  |      |                 |                 |                 |                 |                 |
| • Generated in year – Asset Business Plan | 5.4  | (1,011)         | (3,573)         | (200)           | (200)           | (445)           |
| receipts used to fund resources           |      | 112             | 112             | 0               | 0               | 0               |
| Direct Revenue Financing / Invest to Save | 5.5  | (1,337)         | (1,887)         | (987)           | (987)           | (987)           |
| <b>TOTAL RESOURCES</b>                    |      | <b>(4,136)</b>  | <b>(9,694)</b>  | <b>(3,087)</b>  | <b>(3,087)</b>  | <b>(3,332)</b>  |

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 2020/21 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and the final allocations have not yet been received.

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<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 |
|-----------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Estimated in year Resources available (para 5.1)                                  | (4,136)         | (9,694)         | (3,087)         | (3,087)         | (3,332)         |
| Proposed Programme (para 4.1)                                                     | 19,071          | 15,662          | 4,097           | 3,976           | 3,462           |
| <b>Projected (Surplus)/Deficit</b>                                                | <b>14,935</b>   | <b>5,968</b>    | <b>1,010</b>    | <b>889</b>      | <b>130</b>      |
| Cumulative surplus/deficit b/fwd                                                  | <b>(1,084)</b>  | <b>13,851</b>   | <b>19,819</b>   | <b>20,829</b>   | <b>21,718</b>   |
| Cumulative year end surplus/deficit                                               | <b>13,851</b>   | <b>19,819</b>   | <b>20,829</b>   | <b>21,718</b>   | <b>21,848</b>   |
| Borrowing undertaken previously                                                   | <b>14,000</b>   | <b>14,000</b>   | <b>14,000</b>   | <b>14,000</b>   | <b>14,000</b>   |
| Cumulative deficit i.e. overall borrowing needed to support the capital programme | <b>27,851</b>   | <b>33,819</b>   | <b>34,829</b>   | <b>35,718</b>   | <b>35,848</b>   |

- 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 (RD54/20).

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 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 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 7 January 2021, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 14 December and 11 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 13 January.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 9.1 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<br>Capital<br>Programme<br>2020/21<br>£ | Other<br>Adjustments<br>£ | Proposed<br>Savings &<br>Carry<br>Forwards<br>£ | Revised<br>Capital<br>Programme<br>2020/21<br>£ |
|-----------------------------------------------|--------------------------------------------------|---------------------------|-------------------------------------------------|-------------------------------------------------|
| Sands Centre Redevelopment                    | 16,679,300                                       | (10,644,100)              | 0                                               | 6,035,200                                       |
| On Street Charging Points<br>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<br>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                                          |
| <b>SUB-TOTAL</b>                              | <b>29,780,800</b>                                | <b>(10,525,400)</b>       | <b>0</b>                                        | <b>19,255,400</b>                               |
| <b><u>Capital Reserves to be released</u></b> |                                                  |                           |                                                 |                                                 |
| 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                                          |
|                                               | <b>135,000</b>                                   | <b>0</b>                  | <b>0</b>                                        | <b>135,000</b>                                  |
|                                               |                                                  |                           |                                                 |                                                 |
| <b>REVISED TOTAL</b>                          | <b>29,915,800</b>                                | <b>(10,525,400)</b>       | <b>0</b>                                        | <b>19,390,400</b>                               |

**REVISED CAPITAL PROGRAMME 2020/21 – PROPOSED FINANCING**

| Source of funding                                                     | 2020/21<br>Original<br>£ | 2020/21<br>Revised<br>£ | Notes |
|-----------------------------------------------------------------------|--------------------------|-------------------------|-------|
| <b>Capital Grants:</b>                                                |                          |                         |       |
| • DFG                                                                 | 1,899,800                | 1,899,800               |       |
| • General                                                             | 2,256,900                | 2,470,900               | 1     |
| <b>Capital Receipts:</b>                                              |                          |                         |       |
| • 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              |       |
| <b>Capital Contributions</b>                                          |                          |                         |       |
| • General                                                             | 96,700                   | 203,400                 | 3     |
| Direct Revenue Financing                                              | 3,223,100                | 3,223,100               | 4     |
| <b>TOTAL FINANCE AVAILABLE</b>                                        | <b>6,843,313</b>         | <b>20,474,013</b>       |       |
| <b>TOTAL PROGRAMME (SEE APP A)</b>                                    | <b>29,895,800</b>        | <b>19,390,400</b>       |       |
| <b>PROJECTED (SURPLUS)/DEFICIT IN<br/>CAPITAL RESOURCES AVAILABLE</b> | <b>23,052,487</b>        | <b>(1,083,613)</b>      |       |

**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.