Carlisle City Council
Report to Business & Transformation Scrutiny Panel

Report details

Meeting Date:	6 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD.55/21

Purpose / Summary:
The report details the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B.
The report also summarises the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:
Members of the Business and Transformation Scrutiny Panel are asked to scrutinise the report and make comments on the revised capital programme for 2021/22 and the proposed overall capital budgetary position for 2022/23 to 2026/27.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

Carlisle City Council
Report to Executive

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The report also summarises the proposed programme for 2022/23 to 2026/27 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 2021/22 as set out in Appendices A and B;

(ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 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.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
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1. Background

1.1. This report details the revised capital programme for 2021/22 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 2022/23 to 2026/27, 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 14 September 2021:

- Capital Investment Strategy 2022-23 to 2026-27 (Report RD37/21)
- Asset Management Plan (Report GD58/21)

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 £50,000. This is made up of £20,000 for the cost of the interest payable (2% of £1m equates to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. Revised Capital Programme 2021/22

3.1 The capital programme for 2021/22 totalling £28,057,900 was approved by Council on 20 July 2021 as detailed in the 2020/21 out-turn report (RD16/21).

3.2 The revised capital programme for 2021/22 now totals £30,378,800 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 2021/22 is shown below:

Summary Programme	£	Appx
2021/22 Original Capital Programme	28,057,900	**A**
Other adjustments	2,320,900	
Revised Capital Programme (Sept 2021)	**30,378,800**	**A**
Estimated Capital Resources available	(1,583,895)	**B**
Potential Borrowing Requirement	**28,794,905**	

4. Capital Spending Proposals 2022/23 to 2026/27

4.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from ‘new’ capital receipt generation will incur a borrowing requirement.

Capital Scheme	App/ Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Current Commitments:						
Vehicles & Plant	4.2	1,221	1,772	1,680	1,166	888
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,900	1,900	1,900	1,900	1,900
ICT Infrastructure	4.5	76	131	101	101	101
Leisure Facilities	4.6	3,450	0	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Crematorium Infrastructure	4.8	900	0	0	0	0
Future High Street Fund	4.9	3,653	4,325	0	0	0
Flare Data Management System	4.10	150	0	0	0	0
Carlisle Southern Relief Road	4.11	5,000	0	0	0	0
Total Existing Commitments		**16,645**	**8,423**	**3,976**	**3,462**	**3,184**
New Spending Proposals:						
Vehicles and Plant	4.2	(35)	360	(541)	0	325
ICT Infrastructure	4.5	334	(131)	(26)	0	0
Crematorium Infrastructure	4.8	875	875	0	0	0
Flare Data Management System	4.10	(150)	0	0	0	0
Sands Car Park Resurfacing	4.12	210	0	0	0	0
Swifts Car Park Resurfacing	4.13	200	0	0	0	0
Total New Spending Proposals		**1,434**	**1,104**	**(567)**	**0**	**325**
Total Potential Programme		**18,079**	**9,527**	**3,409**	**3,462**	**3,509**

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, with further details provided in GD79/21 considered by Executive on 22 November 2021.

4.4 Disabled facilities grant allocation will not be known until early into 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. This grant will be awarded via the County Council's Better Care Fund.

4.5 This is the anticipated budgets for improvements and developments to the Council's ICT infrastructure following a review of requirements.

4.6 This is the continuation of the provision of new leisure facilities at the Sands Centre.

4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.

4.8 To provide new infrastructure for the crematorium including replacement cremators. The current commitment of £900,000 in 2022/23 is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

The new spending proposal (£1.75m) for the replacement of the cremators refers to replacing gas powered cremators with electric powered ones which will help to reduce the amount of CO2 produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provides additional funding to upgrade the building facilities at the crematorium. Further reports will be required on the project that will detail the most appropriate solution for the replacement of the cremators. The additional spend will require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23-year period.

4.9 This is a funding application to the Future High Streets Fund which 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 an overall funding requirement from the Council of £390,000.

4.10 The allocation for a new data management system that is used in Environmental Health and Private Sector Housing is no longer required with Local Government Reorganisation on the horizon.

4.11 The Council's contribution to the Carlisle Southern Link Road project.

4.12 The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed.

4.13 As detailed above, the Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

As the budget process progresses, there may be further bids that come to light once full business cases are developed. There are also external bids for grant funding

which have been submitted, or are in the process of being submitted, which if successful, will require the Capital Programme to be grossed up and to recognise the grant award, examples include The Towns Deal (£19.7m), The Public Sector Decarbonisation Scheme (£1.87m) and The Sustainable Warmth (LAD3) and Home Upgrade (HUG1), a county wide scheme totalling £19.955m.

5. Potential Capital Resources Available

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2022/23 to 2026/27.

Source of Funding	Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	(3,429)	(4,325)	0	0	0
Capital Receipts:						
• Generated in year	5.4	(286)	(101)	(4,653)	(1,145)	(2,585)
receipts used to fund resources		112	0	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL RESOURCES		**(7,465)**	**(7,388)**	**(7,615)**	**(4,107)**	**(5,547)**

5.2 Disabled facilities grant allocation will not be known until early 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 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. This relates to the Future High Street Fund projects.

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 2022/23 and 2026/27 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 2022/23 to 2026/27

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

Source of Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated in year Resources available (para 5.1)	(7,465)	(7,388)	(7,615)	(4,107)	(5,547)
Proposed Programme (para 4.1)	18,079	9,527	3,409	3,462	3,509
Projected (Surplus)/Deficit	**10,614**	**2,139**	**(4,206)**	**(645)**	**(2,038)**
Cumulative surplus/deficit b/fwd	**28,795**	**39,409**	**41,548**	**37,342**	**36,697**
Cumulative year end surplus/deficit	**39,409**	**41,548**	**37,342**	**36,697**	**34,659**
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	**53,409**	**55,548**	**51,342**	**50,697**	**48,659**

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.

The table above shows that there continues to be a borrowing requirement from 2022/23. 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 an additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Climate Change

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is 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.

7. Risks

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

7.2 The main risk to the Council is the overall cost of COVID-19 in terms of additional costs and delays to supplies.

7.3 The Government are likely to issue a supplementary Statutory Instrument which may limit the award of contracts for both revenue (£100,000) and capital projects (£1million) without the approval of the Shadow Authorities from April 2022.

8. Consultation

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

8.2 The Business and Transformation Scrutiny Panel will consider this report on 6 January 2022, and their views fed back to the Executive on 19 January. Public consultation will take place between 20 December and 18 January and the budget resolution will then be issued by the Executive on 19 January.

9. Conclusion and reasons for recommendations

9.1 The Executive is asked to:

(i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;

(ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 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 Council's capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact details:

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report:

- Appendix A – Revised Capital Programme 2021/22
- Appendix B – Revised Capital Programme 2021/22 – Proposed Financing

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 Services - The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan (GD58/21).

Finance - Financial implications are contained within the main 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 2021/22 — APPENDIX A

Scheme	Original Capital Programme 2021/22 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2021/22 £	Note
Sands Centre Redevelopment	16,922,600	0	0	16,922,600	
Civic Centre Development	2,081,600	2,000	0	2,083,600	
Energy Monitoring System	12,000	0	0	12,000	
Savings to fund Civic Centre	*(200,000)*	*200,000*	*0*	0	
Future High Street Fund - Market Square	100,000	357,300	0	457,300	
Future High Street Fund - 6-24 Castle Street	0	170,300	0	170,300	
Future High Street Fund - Central Plaza	0	712,400	0	712,400	
Future High Street Fund - Devonshire Street	0	73,600	0	73,600	
Future High Street Fund - Delivery Costs	0	122,400	0	122,400	
Cemetery Infrastructure	5,700	0	0	5,700	
Skew Bridge Deck	67,000	0	0	67,000	
Towns Deal - Bitts Park Improvements	99,200	68,900	0	168,100	
Planning Software	150,000	0	0	150,000	
Play Area Improvements	189,700	228,500	0	418,200	
Carlisle Citadels	934,700	0	0	934,700	
Towns Deal - Caldew Riverside	842,500	0	0	842,500	
On Street Charging Points Infrastructure	102,800	0	0	102,800	
Gateway 44 Development	896,200	0	0	896,200	
LED Footway Lighting Installation	29,700	0	0	29,700	
Rough Sleeping Initiative	10,000	0	0	10,000	
Planned Enhancements to Council Property	458,800	0	0	458,800	
Vehicles, Plant & Equipment	1,036,600	(594,800)	0	441,800	
Recycling Containers	45,000	64,500	0	109,500	
ICT Infrastructure	313,700	179,900	0	493,600	
Disabled Facilities Grants	3,387,200	0	0	3,387,200	
Empty Property Grants	112,400	0	0	112,400	
Swifts Wildlife Haven	70,000	0	0	70,000	
Bitts Park Water Feature	10,500	0	0	10,500	
Bitts Park Public Realm	0	32,000	0	32,000	
Financials Upgrade	0	80,900	0	80,900	
Footway Lighting Melbourne Park	0	22,200	0	22,200	
Affordable Homes (S106)	0	600,800	0	600,800	
SUB-TOTAL	**27,677,900**	**2,320,900**	**0**	**29,998,800**	
Capital Reserves to be released					
Creamtorium Infrastructure	350,000	0	0	350,000	
Cemetery Infrastructure	30,000	0	0	30,000	
	380,000	**0**	**0**	**380,000**	
REVISED TOTAL	**28,057,900**	**2,320,900**	**0**	**30,378,800**	

APPENDIX B

REVISED CAPITAL PROGRAMME 2021/22 – PROPOSED FINANCING

Source of funding	2021/22 Original £	2021/22 Revised £	Notes
Capital Grants:			
• DFG	2,155,600	2,155,600	
• Future High Street Fund	0	1,436,000	
• General	2,325,600	2,349,900	1
Capital Receipts:			
• B/fwd from previous year	(7,759,005)	(7,759,005)	
• Generated in year	1,491,000	0	2
• Receipts used to fund resources	(112,000)	(112,000)	
• Borrowing Undertaken	0	0	
Capital Contributions			
• General	159,700	1,043,200	3
Direct Revenue Financing	2,098,300	2,470,200	4
TOTAL FINANCE AVAILABLE	**359,195**	**1,583,895**	
TOTAL PROGRAMME (SEE APP A)	**28,057,900**	**30,378,800**	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	**27,698,705**	**28,794,905**	

Notes:

1. Capital grant include revised funding for Sands Centre Development (£134,000), Recycling Containers (£24,300), Play Area Improvements (£30,000), Swifts Wildlife Haven (£70,000), On-Street Charging Infrastructure (£102,800), Bitts Park Towns Deal (£89,200), Carlisle Citadels (£934,700), Caldew Riverside Towns Deal (£842,500), Rough Sleeping Initiative (£10,000) and Empty Properties (£112,400).
2. Asset Review Receipts have been reprofiled into future years.
3. General contributions relate to Play Area Developments (£388,200), Bitts Park Public Realm (£32,000), Footway Lighting Melbourne Park (£22,200) and Affordable Homes (£600,800).
4. Changes to Direct Revenue Financing relate to Financials Upgrade (£70,000), Waste Receptacles (£19,000), IT Strategy (£232,400), Civic Centre (£2,000) and Bitts Park Towns Deal (£30,000).