

Report to Executive

Agenda
Item:

A.1(b)

Meeting Date: 16 December 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.22/19
Within Policy and Budget Framework YES
Public / Private Public
Title: REVISED CAPITAL PROGRAMME 2019/20 AND PROVISIONAL CAPITAL PROGRAMME 2020/21 TO 2024/25
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 40/19

Purpose / Summary:

The report provides an update to RD30/19 and sets out the proposed capital programme for 2020/21 to 2024/25 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 2019/20 as set out in Appendices A and B for recommendation to Council;
- (ii) Give consideration and views on the proposed capital spending for 2020/21 to 2024/25 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:	16 December 2019
Overview and Scrutiny:	BTSP 2 January 2020
Council:	4 February 2020 (Budget Resolution)

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2019/20 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 2020/21 to 2024/25, 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 10 September 2019:
 - Capital Investment Strategy 2020-21 to 2024-25 (Report RD25/19)
 - Asset Management Plan (Report GD48/19)
- 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 £65,500. This is made up of £35,500 for the cost of the interest payable (3.55% of £1m equates to £35,500) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. REVISED CAPITAL PROGRAMME 2019/20

- 3.1 The capital programme for 2019/20 totalling £23,192,000 was approved by Council on 16 July 2019 as detailed in the 2018/19 out-turn report (RD14/19).
- 3.2 The revised capital programme for 2019/20 now totals £24,462,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes. This now includes budget provision for the demolition of Central Plaza, estimated at £1.3million and a re-profiling of IT infrastructure expenditure.
- 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 2019/20 is shown below:

Summary Programme	£	Appx
2019/20 Original Capital Programme	23,192,000	A
Other adjustments	1,270,400	
Revised Capital Programme (Sept 2019)	24,462,400	A
Estimated Capital Resources available	(21,059,112)	B
Potential Borrowing Requirement	3,403,288	

4. CAPITAL SPENDING PROPOSALS 2020/21 TO 2024/25

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

Capital Scheme	App/ Para	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	647	1,486	1,297	0	0
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	83	83	116	171	171
Leisure Facilities		10,962	2,946	0	0	0
Recycling Containers		45	45	45	45	45
Carlisle Southern Link Road	4.6	0	0	5,000	0	0
Total Existing Commitments		13,454	6,277	8,175	1,933	1,933
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	1	(271)	(139)	977	1,851
ICT Infrastructure	4.5	199	18	(39)	(39)	(69)
LED Footway Lighting Installation	4.7	203	0	0	0	0
Skew Bridge Deck	4.8	70	0	0	0	0
Cemetery Infrastructure	4.9	30	0	0	0	0
On Street Charging Infrastructure	4.10	204	0	0	0	0
Total New Spending Proposals		707	(253)	(178)	938	1,782
Total Potential Programme		14,161	6,024	7,997	2,871	3,715

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet are included in the table above. This allocation assumes a like for like replacements; the replacement of the full fleet to electric would incur significant costs, so any outcome of the Climate Change Working Group would need to form part of future budget deliberations.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000, with detailed spending allocations in line with the Asset Management Plan priorities.
- 4.4 Disabled facilities grant allocation will not be known until early into 2020/21, 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 The current ICT Infrastructure plan has been reprofiled across 2019/20 to 2024/25 to reflect a revised programme of implementation. The current plan will continue to be reviewed to reflect updated priorities.

- 4.6 This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered.
- 4.7 LED Footway Lighting to be installed on existing city footway lighting in order to reduce energy consumption, CO2 levels, improve reliability and reduce maintenance costs resulting in savings on the revenue budgets.
- 4.8 To install a new deck to Skew Bridge to improve safety and accessibility for pedestrians, cyclists and mobility scooters, and will provide a safe crossing of the Caldew for users of the Carlisle to Dalston cycling and walking trail.
- 4.9 To reinstate the channel of Fairy Beck through Carlisle Cemetery and the restoration of the footbridge to assist with flood control by improvising the efficiency of water movement along Fairy Beck; prevent any further bank erosion to protect graves; and to ensure a safe access across the beck for cemetery visitors.
- 4.10 To install Electric Vehicle charge points at locations within Carlisle where residents have no access to off-street parking to encourage the uptake of electric vehicles. This project is fully funded by external grant.

As the budget process progresses, there may be further bids that come to light once full business cases are developed e.g. Borderlands, St Cuthbert's Garden Village, Civic Centre and Cremator Replacements.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2020/21 to 2024/25.

Source of Funding	Para	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	(204)	0	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan receipts used to fund resources	5.4	(2,010)	(3,862)	(112)	0	(445)
Direct Revenue Financing / Invest to Save	5.5	112	112	112	0	0
		(1,018)	(926)	(926)	(926)	(926)
TOTAL RESOURCES		(4,587)	(6,143)	(2,393)	(2,393)	(2,838)

5.2 Disabled facilities grant allocation will not be known until early 2020/21, 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.

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 2019/20 and 2024/25 is incorporated into this budget report.

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

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2020/21 TO 2024/25

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

Source of Funding	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Estimated in year Resources available (para 5.1)	(4,587)	(6,143)	(2,393)	(2,393)	(2,838)
Proposed Programme (para 4.1)	14,161	6,024	7,997	2,871	3,715
Projected (Surplus)/Deficit	9,574	(119)	5,604	478	877
Cumulative B/Fwd Balance	3,403	12,977	12,858	18,462	18,940
Cumulative year end Position					
● Borrowing Requirement (para 6.2)	12,977	12,858	18,462	18,940	19,817

- 6.2 The Prudential Code, which was introduced in 2004, gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst the new 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 there continues to be a borrowing requirement from 2020/21. 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:

- Inclusion of the proposed asset disposal refresh recommendations in the capital programme once prepared;
- 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 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 All Scrutiny Panels have considered the report (RD30/19) 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 2019/20 as set out in Appendices A and B for recommendation to Council;
- (ii) Give consideration and views on the proposed capital spending for 2020/21 to 2024/25 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.

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.

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 2019/20
APPENDIX A

Scheme	Original Capital Programme 2019/20 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2019/20 £	Note
Gateway 44 Development	6,459,200	0	0	6,459,200	
Play Area Green Gyms	32,800	0	0	32,800	
Open Space Improvements	84,500	0	0	84,500	
Bitts Park (Tennis/Reinstatement)	94,000	0	0	94,000	
Cemetery Infrastructure	11,200	0	0	11,200	
Affordable Homes (S106)	50,400	0	0	50,400	
Planning Software	150,000	0	0	150,000	
Property Purchase	150,000	0	0	150,000	
Flood Reinstatement Projects	(68,100)	23,900	0	(44,200)	
Sands Centre Redevelopment	10,373,500	0	0	10,373,500	
Civic Centre Digital Banner	20,500	0	0	20,500	
Customer Contact Centre	0	7,000	0	7,000	
Planned Enhancements to Council Property	329,600	0	0	329,600	
Vehicles, Plant & Equipment	1,724,800	0	0	1,724,800	
Recycling Containers	45,000	0	0	45,000	
ICT Infrastructure	116,900	0	(69,500)	47,400	1
Disabled Facilities Grants	3,179,500	0	0	3,179,500	
Minor Works Grants	23,200	(23,200)	0	0	
Empty Property Grants	0	23,200	0	23,200	
Central Plaza	0	1,309,000	0	1,309,000	2
SUB-TOTAL	22,777,000	1,339,900	(69,500)	24,047,400	
Capital Reserves to be released					
Play Area Improvements	35,000	0	0	35,000	
Public Realm Improvements	380,000	0	0	380,000	
	415,000	0	0	415,000	
REVISED TOTAL	23,192,000	1,339,900	(69,500)	24,462,400	

Notes:

- Executive are asked to make recommendations to Council to approve reprofiling of £69,500 into 2020/21 due to a revised implementation plan for IT improvements.
- The capital programme will be increased by the cost of the demolition of the Central Plaza. This will increase the Council's overall borrowing requirement and may be funded from either prudential or internal borrowing.

REVISED CAPITAL PROGRAMME 2019/20 – PROPOSED FINANCING

Source of funding	2019/20 Original £	2019/20 Revised £	Notes
Capital Grants:			
• DFG	1,899,800	1,899,800	1
• General	2,024,700	2,024,700	
Capital Receipts:			
• B/fwd from previous year	(1,875,388)	(1,875,388)	
• Generated in year (Asset Review)	1,700,000	3,257,000	
• Borrowing undertaken	0	14,000,000	
Capital Contributions			
• General	134,900	134,900	2
Direct Revenue Financing	1,587,200	1,618,100	3
TOTAL FINANCE AVAILABLE	5,471,212	21,059,112	
TOTAL PROGRAMME (SEE APP A)	23,192,000	24,462,400	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	17,720,788	3,403,288	

Notes:

1. Capital grant include funding for Sands Centre Development (£2,000,000), Empty Property Grants (£23,200) and Play Area Green Gyms (£1,500).
2. General contributions relate to Open Space Improvements (£84,500) and Affordable Homes S106 (£50,400).
3. Changes to Direct Revenue Financing relate to Flood Reinstatement Projects (£23,900) and Customer Contact Centre (£7,000).