

REPORT OF **Finance Manager and Section 151 Officer**
To: **Internal Overview & Scrutiny**
Subject: **Capital Programme Update with New PIDs**
Date: **15th December 2020**

PURPOSE OF REPORT:

For Members to consider the funding shortfall on the capital program.

1. Introduction

- 1.1. The Capital Programme is an ongoing forecast of capital investment in Torridge and the resources that are available to fund these plans.
- 1.2. This report sets out the challenges facing the council to ensure the capital programme is fully funded going forward. These are:
- Inflation – Build cost / Tender Price inflation of existing capital projects.
 - New PID's – To maintain & improve the councils existing infrastructure
 - Funding Shortfall – Due to Inflation and additional PIDs, but also arising from any future changes to capital funding such as the "New Homes Bonus".

2. Capital Programme Overview

- 2.1. Torridge's Capital Programme is an ongoing forecast of the resources the Council is planning to invest in its assets and future development opportunities and whilst projects are allocated to specific years by nature projects quite often span financial years and resources follow.
- 2.2. The approved Capital Programme at the start of 2020/21 included planned investment of **£23.1m** over the period 2020/21 to 2025/26 (6 years).
- 2.3. The revised Capital Programme (See 3 below) has been updated for:
- The "Future High Streets Fund" Capital Project. (approved by full council)
 - LEP grant of £400K towards the Burrows Centre
 - Reduction in forecast income from the New Homes Bonus scheme
- These has increased the Capital Programme to **£32.8m**.
- 2.4. The Capital Programme Funding is split between (see 4 below):
- Reserves & Receipts - £7.7M
 - Forecast Funding - £16.7M
 - Approved Borrowing - £7.4M

Results in a **shortfall of £1m**.

- 2.5. All capital projects proposed for inclusion in the Council's Capital Programme must be supported by a Project Initiation Document (PiD). The PiD will outline in sufficient detail what the project entails, the costs and benefits it is expected to achieve with particular reference to how it will contribute to Torridge's Strategic Plan and the plans for implementation. (See 5 below – for new suggested PIDs)

- 2.6. After the Capital Programme has been updated with the new PIDs, this increases the Capital Programme to £42.0m. Total funding (current and expected in the future) is £36.9m. This gives a shortfall (funding gap) of £5.1m. (See 6 below)
- 2.7. Options for consideration on how to close the funding gap (see 7 below). These include potential capital receipts, and additional capital borrowing.

3. Revised Capital Programme 2020/21 to 2025/26 (6 Years)

- 3.1. Capital Programme updated for FHSF, LEP Grant for Burrows centre, and changes in the forecast New Homes Bonus Scheme:

Capital Programme 20/21 to 25/26	2021/22 To 2025/26	Total Funding	Shortfall
Approved Programme	23,087	(22,364)	723
Additional Projects:			
FHSF (Future High Street Fund)	9,687	(9,687)	-
Changes to Funding			
Reduction to NHB Forecast		678	678
LEP funding for Burrows Centre		(400)	(400)
Approved Programme	32,774	(31,773)	1,001

- 3.2. The Capital Programme has been split into the following categories:

Business Continuity	Required to support the day to day running of the council
High Priority PID's and Works in Hand	Projects underway, or which expose the council to high levels of risk if not completed
Medium Priority PID	Projects which expose the council to medium risk if not undertaken
Low Priority	Projects which have low risk associated with them.
Self-Funding	Self-funding projects (through grants, or increased revenue contributions, etc)
Aspirational	Projects that align with the Council's core values and strategic goals, but do not pose an immediate risk if not undertaken
Completed	Projects completed

3.3. The Capital Programme Summarised by Category, and by Year is as follows (for the detailed Capital Programme by project see Appendix 1):

Capital Programme 20/21 to 25/26	TOTAL	20-21	21-22	22-23	23-24	24-25	25-26
Business Continuity	7,881	2,463	748	1,110	772	154	2,634
High Priority PID's and Works in Hand	9,118	3,290	5,722	6		100	
Medium Priority PID	442	103	189	150			
Low Priority							
Self-Funding	10,721	787	6,401	2,320	1,141	72	
Aspirational	4,314	214	2,100	2,000			
Completed	298	298					
	32,774	7,155	15,160	5,586	1,913	326	2,634

4. Capital Programme – Funding Position

The levels of financing available to meet capital investment has also been reviewed including forecast sales of council assets (capital receipts), external grant contributions and sums allocated from the receipt of new homes bonus.

The below table splits the funding between:

- Current Capital Funds
- Future Forecast Capital Funding
- Future Borrowing

The Current funding position has a gap/shortfall of £1m

Total Capital Programme - APPROVED	2021/22 To 2025/26	
Current Approved Capital Projects	32,774	
Current Capital Reserves	(5,581)	
Capital Grants Received	(2,100)	
Current Shortfall (28.10.2020)	25,093	
Future Forecast Revenue Contribution	(1,292)	
Future Forecast New Homes Bonus	(1,889)	
Future Forecast Capital Receipts	(5,060)	Note 1
Future Forecast Capital Grants	(8,412)	Note2
Forecast Shortfall (before borrowing)	8,441	
Approved borrowing	(7,440)	Note3
Forecast Shortfall (After borrowing)	1,001	

Note 1 : £3m FHSF (Future High Street Fund), £1m Caddsdwn Phase3, £0.6m Holsworthy Agri Business, £0.5m Sale of 3 Depots

Note 2 : £4.3m FHSF, £1m Caddsdwn Phase3, £1.5m Holsworthy Agri Business, £0.225m Environment Agency Match funding, £1m Disabled Facility Grants, £0.4M Burrows Centre LEP

Note 3 : £2.4m FHSF, £4m Depot, £1m Homelessness Accommodation

5. New Capital PIDs

5.1. The following PID's have been submitted/suggested for approval and subsequent inclusion in the Capital Programme.

They fall into the following funding categories:

- **Rolling Programmes** – Annual contributions from revenue to ensure the continuing capital maintenance requirements of the Council's assets
- **New PIDs to be funded from the Rolling Programmes** – Specific projects that would come out of the rolling programmes (if approved)
- **New PIDs to be funded from “Planned Maintenance” reserve** – Capital maintenance works that are required, which can be funded from existing funding reserves.
- **Self-Funding PIDs** – Projects that would only proceed if they are self-funding, i.e. sufficient grants obtained, or sufficient revenue savings projected to justify.
- **Unfunded PIDs** – Projects which are a significant risk to the Council if not undertaken, where there is no current funding identified.
- **Notice of Motion** – Projects which have a specific “Notice of Motion” relating to them (also currently no funding identified)

New / Suggested PIDs

**2021/22
To
2025/26**

PIDs - Rolling Programmes

	Per Year	
1 Car Parks	80	400
2 Capital Improvement Program - Property Assets	150	750
3 1610 / Leisure	180	900
<i>Note: Funded from Annual revenue contribution</i>	410	2,050

New PIDs - To be funded from Capital Improvements Programme

4 Riverbank house Phase 2 (IT, Greenhouse)		200
5 Windmill Lane Refurb		60
6 Torrington Pool Roof		70
7 Caddsdwn Paths		40
8 Bridge Buildings (if not sold)		60
		430

New PIDs - Funded from Planned maintenance Reserve

9 Muslim Burials		40
10 Skate Park Acoustics		60
11 Harbour (Shipping works)		70
12 Westward Ho WC Drains		35
13 Vic Park War memorial (relocation + paths)		35
		240

New PIDs (Self Funding)

14 TDC Units - Tamar Way (Demolish & Rebuild?)		1,000
		1,000

New PIDs (no Current Funding)

	Year	
15 Fish Doc Plant Renewals	23/24	160
16 1610 (upon contract end)	21/22	650
17 Depot - Increased Costs		1,350
18 Town Hall Roof - Increased Costs	Over 2 - 3 yrs	760
19 Grounds Maintenance Equipment		200
20 Linear Defence - Increased Costs (Match Funded by EA)	24/25	3,000
		6,120

21 Notice of Motion - Pannier Mkt & Market House		?
22 Notice of Motion - Retractable Cover (Pool in Vic Park)		?
23 Play Strategy - Over the £250K already in.		?

Total of Suggested new PIDs		9,410
------------------------------------	--	--------------

6. Revised Capital Programme and Funding Gap

6.1. Capital Programme and Funding Gap:

Total Capital Programme - with NEW PIDS	2021/22 To 2025/26	Total Funding	Shortfall
Current Approved Capital Projects	32,774	(31,773)	1,001
New PIDs:			
Rolling Programme (funded from additional revenue contributions)	2,050	(2,050)	-
New PIDS (Planned Maintenance Reserve funded)	240	(240)	-
New PIDS (Self Funded, e.g revenue savings, grants)	1,000	(1,000)	-
New PIDs (no Current Funding)	6,120	(1,500) *	4,620
Capital Projects (After New PIDs)	42,184	(36,563)	5,621

* £1,500K Match Funding from the Environment Agency

* £1.5m of match funding from Environment Agency

Note: Funding Gap (Shortfall) has increased to **£5.6m**

7. Closing the Gap (Shortfall)

7.1. Potential Capital Receipts vs Borrowing:

Closing the Budget Gap		Opt 1 £		Opt 2 £
Budget Gap		5,621		5,621
<u>Potential Mitigation:</u>				
No/Minimal TDC contribution to Burrows Centre		500		500
Use Strategic Acquisitions Reserve		700	*	700
Cleave Wood Capital Receipts		1,280		-
Tadworthy		600		-
Bridge Buildings		335		-
Westward Ho! Park		100		100
Contribution from 20/21		642		642
Reduced Budget Gap		1,464		3,679
Borrowing to close the Gap		1,464		3,679
Eliminated Budget Gap		-		-
Annual Revenue Cost				
		117	^	294
Note: Revenue impact of £80K per year for every £1m Borrowed from PWLB (Assumes borrowing over 20 years @ fixed 3%)				

* If removed, then nothing included for development of regeneration sites:

- Land around HABC, Holsworthy
- Hatchmoor, Torrington
- Middledock, Appledore
- Caddsdow Ph3, Bideford

^ For comparison, increasing car parking charges by 10% would generate revenue of £130K (20% would generate £260K)

Note: Option 1 is optimistic as not all receipts may be realised, and the Cleave wood Capital receipt has some conditions attached, which may not be met by our current capital projects.

Any borrowing will have an annual impact on the revenue budgets, and therefore needs to be aligned with the council's medium-term financial plan.

7.2. Other Options for consideration:

- Simplified Environmental Centre = possible saving of £1m+
- Sale of TDC Assets to generate Capital Receipts:
- Removal of projects from the Capital Program

Implications

Legal Implications

The Council is required to set a balance annual budget

Financial Implications

These are contained in the report

Sustainability Implications

These will form part of detail budget considerations

Compliance with Policies and Strategies

Forms part of the strategy process

Recommendations

8. That:

- a) Members note the funding shortfall on the capital program
- b) Consider and review any recommendations from C&R regarding closing the funding gap on the capital program

SUPPORTING INFORMATION

Consultations: Date of Consultation –

Leader - Councillor
Deputy Leader – Councillor

Officers Consulted

- Steve Hearse Chief Executive,
- Staci Dorey Head of Legal & Governance and Monitoring Officer
- Sean Kearney Head of Communities and Place

Contact Officer: David Heyes – Finance Manager and Section 151 Officer

Background Papers:
Appendix 1