

REPORT OF Deputy Section 151 Officer
 To: Internal Overview & Scrutiny Committee
 Subject: Capital Programme 2022/23 to 2026/27
 Date: 8th February 2022

Reference:

PURPOSE OF REPORT: For Members to consider, formulate and recommend updates to the Capital Programme 2022/23 to Full Council.

The Capital Programme includes authorised projects which require updating due to inflationary pressures, along with new PIDs (Project Initiation Documents) which require authorisation from members before inclusion.

1. Introduction

1.1. The Capital Programme covers the current and forthcoming five years.

It is made up of:

- Approved Projects (PIDs)
- New Proposed Projects (PIDs)

These are funded by:

- Current Capital Reserves
- Future contributions from revenue
- Current/Future Capital Receipts
- Current/Future Capital Grants

Previously the Council set aside 50% of its New Homes Bonus (NHB) funding into its capital program, however the level of NHB funding has been in sharp decline and is likely to cease in the near future. The decline in NHB funding has been a significant contributory factor to the increased capital funding pressures.

1.1 Capital Programme Update

In the below table the capital programme has been updated for:

- An additional year (Extended to the full 5 years)
- Forecasted funding
- Vehicle Programme inflation

These updates give a surplus of **£2.4m**

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme (Feb 2021)	23,909	(24,051)	(142)
Funding Adjustments (additional receipts -Right to Buy etc)	(7)	(389)	
Forecast Adjustments (Surplus/adj of revenue contribution for NHB etc)		(2,066)	
DFG + Extend by 1yr	2,260	(2,335)	
Capital Programme - Updated 21/22	26,162	(28,841)	(2,679)
Update Vehicle Programme (inflation)	599	-	
Extend Vehicle Programme (to 5 yrs)	282	(555)	
Capital Programme - Updated 21/22	27,043	(29,396)	(2,353)

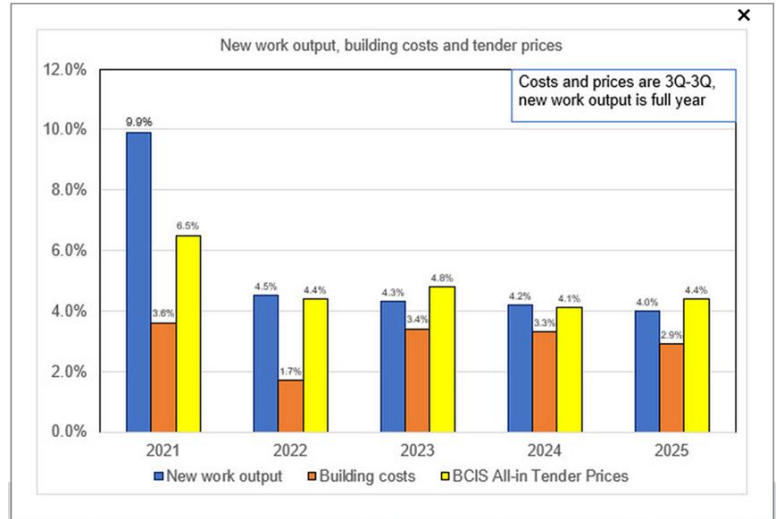
1.2 Building Cost inflation

Building cost inflation has risen significantly over the last year, some of the pressures are as follows:



Per BCIS (October 2021)

- Material Prices rose by 16.9% in the 12 months to October 2021
- Forecast to continue rising at a reduced rate (15% from Q3 2021 to Q3 2026)
- General Building costs were 9.1% higher than a year earlier (October 2021)



1.3 Update for Building Cost inflation

The Capital Programme has been reviewed with this inflation in mind, and the following results/recommendations are proposed:

- 12 projects/areas impacted by this inflation
- 12 projects/areas equate to £10m of project costs (including the new Environmental Centre £7m)
- Applying an update of 10% inflation = £977K of additional costs.

Including this inflation is shown in the table below, which reduces the surplus to **£1.4m**

	Capital £'000s	Funding £'000s	(Surplus)/ £'000s
Capital Programme - Updated 21/22	27,043	(29,396)	(2,353)
Inflation (construction price @ 10%)	977		
Capital Programme - Updated 21/22	28,020	(29,396)	(1,377)

1.4 Update for New Projects (PIDs)

New Project Initiation Documents (PIDs) have been submitted for consideration of inclusion into the capital programme (shown in below table)

Inclusion of these new PIDs reduces the surplus to **£0.4m**

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme - Updated 21/22	28,020	(29,396)	(1,377)
<u>New PIDs:</u>			
Windmill Lane Refurb	70		
Revs & Bens Digitisation	109	(109)	
Caddsdwn Disabled Access Pathways	46		
Grounds Maintenance Equipment	173		
Core Server	95		
Torrington Pannier Mkt	176		
Sandymere Road	213		
Electric Vans - Maintenance	67		
Electric Vans - Car Parks	24		
Victoria Park Play Area	173	(40)	
Fish Dock Ice Machine*	29	(22)	
	1,175	(171)	
Capital Programme (With new PIDs)	29,195	(29,567)	(373)

* Separate report to Full Council for approval - due to funding deadlines

1.5 Update for Leisure and Electric Vehicles

Both Leisure and Electric Vehicles are a pressure upon the capital programme, which will require some level of inclusion in the future:

- Leisure – Capital Pressures:
 - Initial assessment indicates around £600K capital/maintenance works required to bring the sites back up to a suitable standard. In addition, £60K per year per site is estimated to fulfill the ongoing requirements.
 - Currently we have £350K put aside for these costs, therefore including the £60K per site per year for the next 5 years would seem prudent. (note £521K has been put into a leisure reserve funded from the 2021/22 surplus, for such costs).
- Vehicles – Electric Update:
 - 2 PIDs have been included (for 4 Vans), the additional cost of procuring electric vans is £91K.
 - £327K is an estimate for replacing the rest of our small/medium vans with electric versions (when required – approx. 24 vans) – note this assumes the additional cost of electric reduces significantly in the years ahead.

Updating for Leisure Capital Pressures and updating the councils Vans to Electric creates a **Shortfall** of **£0.3m** (see table below)

	Capital £'000s	Funding £'000s	(Surplus)/ £'000s
Capital Programme (With new PIDs)	29,195	(29,567)	(373)
Leisure - Programme (£60K per site per yr)	900	(521)	
Vehicles (Electric Update)	327		
Capital Programme - 2021 -2026	30,422	(30,088)	333

1.6 Update for Vehicle Programme (Long Term)

The Vehicle Programme is a key operational capital programme, and as such requires its own assessment.

The shortfall can be split between the General Capital Programme, and the Vehicle Programme:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Vehicle Programme	5,377	(5,221)	156
General Programme	25,045	(24,868)	177
Total	30,422	(30,088)	333

The Vehicle Programme consists of:

- 30 Large (Refuse/Recycling/Sweeper) Lorries
- 27 Medium & Small Vans

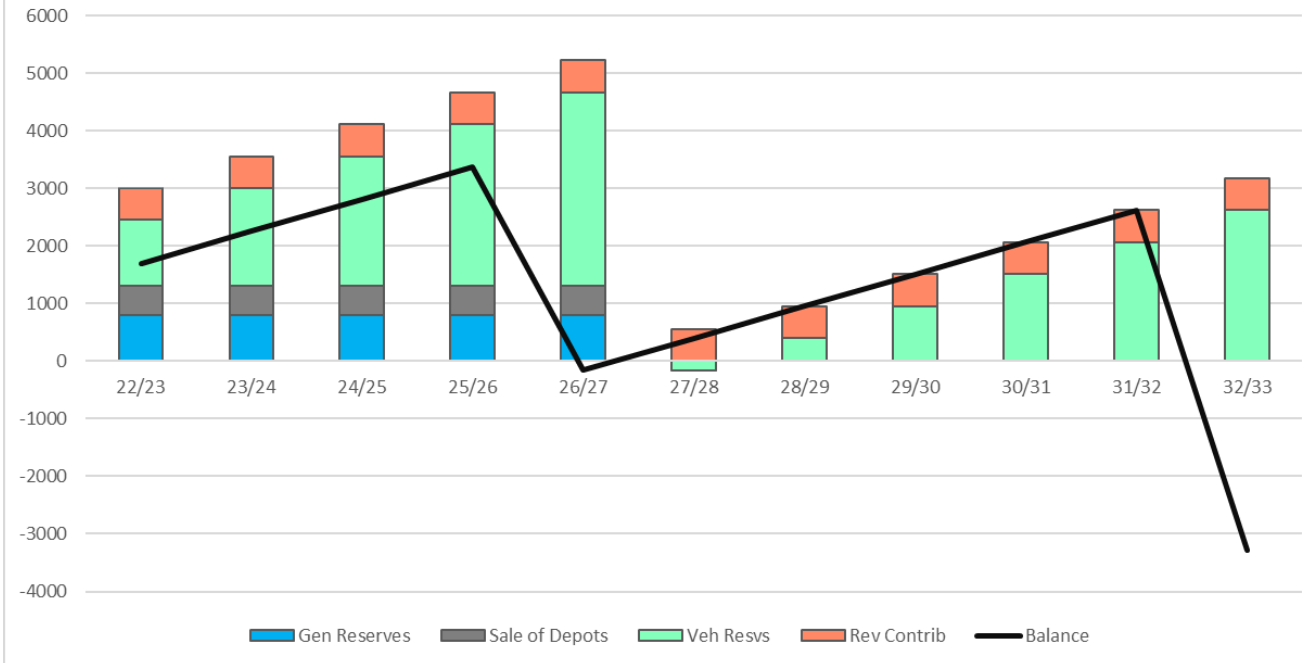
The Annual Cost vs Annual Revenue Contribution can be calculated as follows:

- Current cost of fleet = £4.7m (average life 7 years)
- Approx. Annual Cost = £675K
- Vs Current Revenue Contribution = £555K



Therefore, due to starting with reserves in the vehicle programme, our current level of revenue contribution is sufficient for the current cycle (ending in 25/26), but will fall short for the next cycle (ending in 32/33) if contributions are not increased.

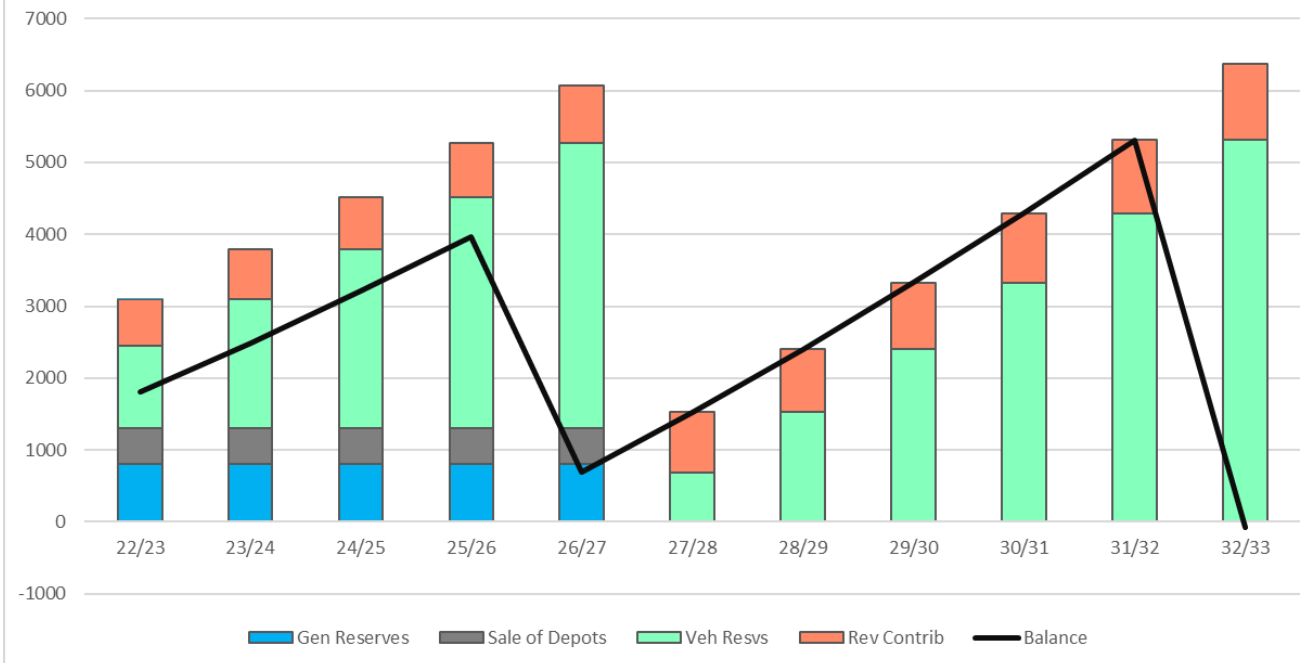
Vehicle Replacement Programme - £555K Revenue Contributions



- Next major fleet replacement is due in 2025/26
- Following major fleet replacement is due in 2032/33
- With £555K revenue contributions = **£3.2m** Shortfall by 2032/33

Increasing these revenue contributions can reduce/eliminate this gap.

Vehicle Replacement Programme - £655K Revenue Contributions + 5% inflation



- With £655K revenue contributions which increase by 5% inflation = **£73K** Shortfall by 2032/33
- Note: This adds £844K of costs to the revenue budget (i.e. MTFs) over next 5 years

1.7 General Programme Shortfall and Pressures

The General shortfall is £177K, however we also have to consider future pressures that are not yet reflected/included in the Capital Programme

These are included in the below table, and total approx. £3.75M

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
General Programme - Shortfall	25,045	(24,868)	177
Pressures over MTFS			
Future PID's:			
New PIDs - 23/24	-		
New PIDs - 24/25	-		
New PIDs - 25/26	-		
New PIDs - 26/27	-		
Total (@ £250K to £500K+ per yr)	£1M - £2M+		
Linear Defenses - Westward Ho!			
Estimated at £3m+ (although likely to be beyond the MTFS)			
With Environment Agency funding likely for at least 50%			
This would leave a cost to the council of £1.5m+			
	£1.5M +		
Electric/Hybrid Refuse Vehicles			
Suitable vehicles are not currently available, but are likely to cost more than traditional Refuse Vehicles.			
Note: Electric vans are currently more than double the price.			
	?		
Desktop Strategy			
TDCs current desktop licences run until 2024,			
the next 5 year refresh is forecast to be in excess of £250K			
	£250K +		
Total Pressures	£3.75M		

General Programme:

- Current Shortfall = £177K
- Future Pressures = £3.75M+

1.8 Recommending PIDs to Full Council

Each of the proposed PIDs will need to be approved by full council before it is included in the Capital Programme.

Therefore, each PID (in the table below) needs to be considered for inclusion, with a view to recommend their inclusion to Full Council.

New PIDs – Project/Financial Scores

Each PID has a Project Score and a Financial Score:

Project Score

- Projects Scored by Leader/Chief Exec/S151 (out of 100)
- Quality Bar = Recommendation of a minimum project score of 65

Financial Score

- To enable comparison of projects a financial score which represents the cost of the project assuming that the funds are borrowed over the life of the asset
- Each point represents £100K of cost to the Council

No.	PID - Name	PID - Description	Value	Project Score	Financial Score	Recommend to Full Council
C202	Core Server	Replacement core legacy servers	£95K	87	1	Y
C201	Grounds Maintenance	Large machines (mowers), work vans and trailers.	£173K	80	2	Y
C200	Caddsdwn Disabled Access Pathways	To refurbish the access pathways.	£46K	78	1	Y
C205	Sandymere Road	Extensive repairs and improve the road edging, plus additional passing place.	£213K	70	3	N
C199	Revs & Bens Digitisation	Digital Portal for 24/7 access to Revs & Bens service	£109K	68	1	Y
C204	Sandymere Road	Low cost option = minimum repair works.	£46K	65	1	Y
C203	Torrington Pannier Mkt	Refurbishment of the Grade 2 listed building	£176K	58	3	N
C208	Electric Vans - Car Parks	Additional cost of 2 new electric vans	£24K	58	0	N
C209	Victoria Park Play Area	Replace play equipment in Victoria Park (Including Bidefort)	173K	55	2	N
C207	Electric Vans - Maintenance	Additional cost of 2 new electric vans	£67K	52	1	N
C206	Windmill Lane Refurb	External refurbishment of the offices.	£130K (£60K currently in)	47	2	N

Implications

Legal Implications

The Council is required to set a balanced annual budget.

Financial Implications

If the recommendations below are used to update the Capital Programme, and only the PIDs scoring 65 or above are included, then the shortfall of £177K becomes a surplus of £460K.

Human Resources Implications

There are no specific human resources implications.

Sustainability Implications

There are no specific sustainability implications.

Equality/Diversity

There are no specific equality/diversity issues.

Risk Management

A funded Capital Programme ensures the Council has the assets required to run its key services, and the existing Council's assets are maintained.

Compliance with Policies and Strategies

This Report fits within the Councils Capital Strategy.

Lead Member Views

Councillor Hodson:

Date of Consultation – 19th January 2022

“The Council has a significant Capital Programme, which is currently fully funded.

However, it is facing some significant funding pressures, from both inflation and future capital requirements.

Any additional spend to the Capital Programme should be considered with these pressures in mind, therefore I support the recommendations in the report”.

Conclusion

The report highlights the pressures on the Capital Programme, in an environment where there is increasing uncertainty on the revenue budget.

1.9 Recommendations:

That Members recommend to Full Council

- a) The Capital Programme is updated for building cost inflation
- b) The Vehicle Programme is updated for inflation
- c) The Vehicle Programme is Balanced long term, by increasing the contributions from revenue.
- d) Recommend PIDs that meet the minimum recommended project score of 65, for inclusion in the Capital Programme:
 - o C202 Core Server
 - o C201 Grounds Maintenance
 - o C200 Caddsdwn Disabled Access Pathways
 - o C199 Revs & Bens Digitisation
 - o C204 Sandymere Road

With the PIDs that fall below this score being referred back to officers for further work/refinement, and possible future consideration.

SUPPORTING INFORMATION

Consultations:

Date of Consultation – 19 January 2022

Deputy Leader – Councillor Claire Hodson

Officers Consulted –

Steve Hearse Chief Executive

Sean Kearney Head of Communities and Place

Staci Dorey Head of Legal & Governance

Contact Officer:

Peter Hudson – Deputy Section 151 Officer