

REPORT OF Deputy Section 151 Officer
To: Full Council
Subject: Capital Programme 2023/24 to 2027/28
Date: 20th February 2023

Reference:

PURPOSE OF REPORT: For Members to update the Capital Programme 2023/24.

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.

In addition to funding pressures, the capital programme is also under significant pressure from the increase in inflation.

1.1 Capital Programme – Funding Pressures & New PIDs

Due to the funding/inflation pressures that the Council is facing, no new PIDs were sought for inclusion in the 2023/24 Capital Programme.

However projects have arisen during the year, that aim to alleviate some of the wider cost pressures the Council is under.

These Projects are:

- Sully House *(Approved by C&R March 2022)*
- Sully House Modular Units *(Approved by C&R March 2022)*
- Hubbastone Conversion *(Approved by C&R July 2022)*

These projects need to be formally added to the Capital Programme.

1.2 Capital Programme – Bfwd

The brought forward balance on the Capital Programme on 1st April 2022 was:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme - Updated 22/23	25,986	(28,541)	(2,555)

(See Appendix 1 for the breakdown)

1.3 Capital Programme – Movements in the year

Environment Centre (updated by Full Council – December 2022)

Due to increasing costs, the environment Centre provision was adjusted, this included:

- Reduced overall cost to £7.2M
- Reduced borrowing to £2.8M
- Various capital PIDs released, and funds reallocated to the centre
- Future capital receipts earmarked for the centre

Effect on Capital Programme:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme - Updated Environment Centre	24,658	(27,213)	(2,555)

Homelessness – Projects to alleviate wider cost pressures

Projects are:

- Sully House £968K (Approved by C&R March 2022)
- Sully House Modular Units £221K (Approved by C&R March 2022)
- Hubbastone Conversion £372K (Approved by C&R July 2022)

The Capital Programme has £226K of budget remaining on the “Homelessness” PID, which was originally for £1m (with £1m of approved borrowing). To date the spend on this PID has been funded through general capital reserves.

Hubbastone uses this remaining budget (£226K) plus other identified reserves (£146K)

Sully House Modular Units have £174K grant funding, the remainder coming from capital reserves/borrowing.

Sully House – funding to come from capital reserves/borrowing

It is proposed that as the borrowing has not yet been utilised, that the approved borrowing of £1m is used for Sully House / Sully House modular, and the previous spend is funded from capital reserves.

(See appendix 2 for detailed adjustments)

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme - Updated Homelessness Projects	25,993	(27,533)	(1,540)

Extend Capital Programme by 1 year – For a full 5 year programme

(See appendix 2 for detail)

Updates are for extension of existing programmes:

– Car Parks / Property / IT Equip / DFGs (disabled facilities grants) / Vehicles:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Capital Programme (2023/24)	26,856	(29,129)	(2,273)

The increased surplus relates to the Vehicle Programme, and is caused by setting aside money for the main recycling fleet replacements in 2025/26 and 2032/33. With 2032/33 being beyond the 5 year programme.

1.4 Capital Programme Split

The updated capital programme has a surplus of £2.3m

However, a significant portion of this relates to the money we put aside to fund our refuse fleet in the future. (The main recycling fleet in 2025/26 and 2032/33).

Therefore, the programme can be split as follows:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
Vehicle Programme	5,170	(6,590)	(1,420)
General Programme	21,686	(22,539)	(853)
Total	26,856	(29,129)	(2,273)

Note: The £1.4M surplus on the Vehicle programme is to fund the main recycling fleet replacement in 2032/33.

1.5 Capital Programme – Future Pressures

The General capital programme (excluding the vehicle programme) has a surplus of £853K

However, there are significant future pressures:

	Capital Programme £'000s	Funding £'000s	(Surplus)/ Shortfall £'000s
General Programme	21,686	(22,539)	(853)
Pressures:			
Leisure (3 centres, £60K per site per year = £900K)	900	(521)	
Electric Vehicles (Including refuse)	327		
New PIDs from 2023 to 2028	???		
Linear defence - working with environment agency	???	???	
Future INFLATION !!!!	???		
Capital Programme - Updated 22/23	22,586	(23,060)	(474)

Appledore Clean Maritime Innovation Centre

At the time of writing this report, it was announced that Torridge has been successful and awarded just under £15.6m for the creation of a Clean Maritime Innovation Centre in Appledore.

The council will be contributing to the project by providing the site, and through additional borrowing required to meet the total cost of the project.

Additional borrowing costs are to be funded by the rental income that the site generates, making the project cost neutral in the context of the capital programme. (i.e. no effect on the current capital programme surplus)

For the project to be added to the capital programme a detailed PID will be submitted to Full Council.

1.6 Capital Programme – Updated

See Appendix 3 for the current capital programme by project including the movements in year from 1.3 above.

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, the Capital Programme will have a surplus of £2.2M (£0.9M General Capital Programme surplus).

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 2023

“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:

Recommend to Full Council

That Members consider the recommendations by Community and Resources on the 30th January 2023 and Internal Overview and Scrutiny on the 7th February 2023 to Full Council

a) The Capital Programme is updated to include:

- Sully House
- Sully House Modular Units
- Hubbastone Conversion

SUPPORTING INFORMATION

Consultations: Date of Consultation – 19 January 2023

 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