



Report to:	Cabinet	12 December 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

Capital Programme Update & New Bids

Executive Summary

1. To consider the new Capital Programme bids from 2023/2024 and the revised capital programme for the period 2022/2023 to 2027/2028.

Key Decision

2. No

Recommendations

3. It is recommended that Cabinet consider the report and, if satisfied, to:
 - (a) Consider the capital programme bids for new projects outline at Appendix A and to determine whether to approve the new capital schemes.
 - (b) Recommend to Full Council the revised capital programme for the period 2022/2023 to 2027/2028, at Appendix B for the General Fund and at Appendix C for the Housing Revenue Account, to reflect the new scheme bids, amendments to the programme and the reprofiling of expenditure identified in the report.

Reasons for Recommendations

4. To enable the Cabinet to consider the new capital project bids for 2023/2024 and the updated capital programme incorporating new items and reprofiling of expenditure.

Details

New Scheme Bids

6. It is appropriate for Cabinet to consider, in line with the Capital Strategy, all new bids for capital investment before making recommendations to Council.

7. It should be recognised that the Council has finite resources and there are competing pressures and affordability issues that need to be taken into account. The corporate focus of capital investment should align with the expectations of the approved Capital Strategy and accordingly there will be a need to:
 - (a) invest where the Council has a statutory, contractual or safety obligation including unavoidable requirements emanating from the Council's approved Corporate Asset Plan.
 - (b) invest in discretionary schemes which meet Business Plan priorities.
 - (c) invest in schemes which provide value for money (i.e. invest to save) provided they are consistent with Business Plan priorities.
8. The schedule of capital programme bids for new projects (i.e. over and above those needed for continued operational purposes, or that form part of a rolling programme) is attached at **Appendix A**. The bids have been subject to the completion of a business case in accordance with the Capital Strategy. This covers, amongst other things, project risks, resource implications and compliance with the key priorities of the Council. The bids are considered to fall into the following categories:
 - (1) Legally/contractually unavoidable.
 - (2) Essential for health and safety reasons.
 - (3) Support Business Plan objectives.
 - (4) Benefit from external funding opportunities; and
 - (5) "Invest to Save" projects (for which regard should be given to the length of the investment payback period).

Capital Programme Financing

9. The Council will need to rely on borrowing to fund capital investment going forward and this has a direct impact on the revenue budget. The level of borrowing is clearly a factor that needs to be considered by the Council, but excessive borrowing must be considered with caution as repayment of any loans would fall on Council Tax, at a time when significant budgetary savings must be made to avoid an unacceptable increase in Council Tax or reductions in key services.
10. The ability to generate capital receipts to contribute to the capital programme funding is limited and relates in part to new build shared ownership but more significantly to HRA right to buy sales. The Council is exploring opportunities to market sale of land to generate additional capital receipts which were previously earmarked for self building. The forecast for 2022/2023 £4.25m right to buy receipts with £3.4m retained for investment in new build.
11. In determining its Capital Programme, the Council must comply with the regulations relating to the Prudential Framework for Capital Finance in local authorities and related prudential indicators, i.e., is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). Due regard should, therefore, be given to:
 - (a) The estimate of available capital finance (from borrowing and capital receipts if any) needed to cover existing committed schemes and any residual sum available for uncommitted and future priority schemes.

- (b) The estimate of capital finance resource becoming available in the ensuing four years for uncommitted schemes and new priority schemes (e.g. from external borrowing, forecast new capital receipts (if any) or external funding).
- (c) The estimated revenue implications (estimated at £50,000 per year per £1 million borrowed over 25 years) of the proposed total programme and impact on Council Tax in terms of affordability.
12. Consequently, the number of new priority capital schemes which can be approved at each annual review of the programme will be limited by these affordability factors.
13. To enter into excessive long-term borrowing would only exacerbate the position and, on this basis, it is strongly recommended that the Council carefully considers the level of capital investment.
14. The Capital Programme is prepared on a five-year rolling programme. As such Cabinet/Council in February 2023 will be considering the programme for the financial years 2023/2024 through to 2027/2028.
15. In the event that all new bids in **Appendix A** are eventually approved, and new borrowing is required for those schemes not financed from Earmarked Reserves (totalling £1.235m), the additional cost of the capital programme in 2023/2024 will be **£62,000**. This is in addition to the borrowing required for the existing capital scheme approvals for 2023/2024 (i.e., £3.98 million) at an estimated revenue cost of **£0.2 million**. This is based on an interest rate of 5%
16. The total additional cost to revenue for the borrowing costs of the full capital programme (including existing approvals plus the above new bids) is **£0.262 million** in 2023/2024.

Capital Programme Monitoring

17. Full Council, at its meeting on 22 February 2022, approved new schemes for inclusion in the General Fund and HRA capital programme for the period 2022/23 to 2026/27 and also the re-profiling of the existing programme.

The full General Fund capital programme, approved by Council in February 2022, is summarised in the table below:

General Fund Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Gross Directorate Budgets:					
Chief Executive	33,600	30,000	30,000	30,000	30,000
Head of Climate, Environment & Waste	3,740	1,833	1,822	9,660	840
Head of Finance	259	200	200	200	200
Head of Housing	9,871	11,405	1,405	1,405	1,405
Head of Transformation, HR & Corporate Services	1,422	49	83	1,075	515

Gross Total	48,892	43,487	33,510	42,340	32,960
Financed By:					
Grants/Contributions	12,550	11,280	2,078	4,560	780
Revenue	3,639	3,114	654	6,084	844
Capital Receipts	2,903	743	778	1,696	1,336
Borrowing	29,800	28,350	30,000	30,000	30,000
Total Financing	48,892	43,487	33,510	42,340	32,960

18. The full HRA capital programme, approved by Council in February 2022, is summarised in the table below:

HRA Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Gross Directorate Budgets:					
Existing Stock Improvements	7,149	7,293	7,438	7,587	7,739
Other Improvements	70	70	70	70	70
New Build	17,164	12,680	12,680	12,680	12,680
Other	175	175	175	175	175
Gross Total	24,558	20,218	20,363	20,512	20,664
Financed By:					
Grants/Contributions	475	325	325	325	325
Direct Revenue Financing	9,125	8,517	8,517	8,517	9,117
Capital Receipts	7,739	4,013	4,013	4,013	3,413
Major Repairs Reserve	7,219	7,363	7,508	7,657	7,809
Borrowing	-	-	-	-	-
Total Financing	24,558	20,218	20,363	20,512	20,664

19. There is a need to update the capital programme to consider amendments to and the re-phasing of the 2023/2024 and future year schemes following ongoing monitoring of project progress and factors influencing the timing of deliverability.

20. The table below sets out a summary of the revised General Fund Capital Programme with an explanation of the key variations.

General Fund Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Gross Directorate Budgets:					
Chief Executive	955	10,000	10,000	10,000	10,000
Head of Climate, Waste & Environment	1,835	2,303	5,460	4,484	974
Head of Finance	326	272	261	261	251
Head of Housing	5,458	13,155	13,737	8,271	1,405

Head of Transformation, HR & Corporate Services	1,967	2,049	83	725	515
Advances to Housing Company	5,500	-	-	-	-
Gross Total	16,041	27,779	29,541	23,741	13,145
Financed By:					
Grants / Contributions	3,657	13,575	10,689	6,562	1,290
Revenue	3,554	2,912	2,963	2,986	712
Capital Receipts	3,330	7,312	5,889	4,193	1,143
Borrowing	5,500	3,980	10,000	10,000	10,000
Total Financing	16,041	27,779	29,541	23,741	13,145

Key variations by directorate are summarised as follows:

Chief Executive

21. Fewer investment opportunities have arisen since the change in the terms of Public Works Loans Board which means that the Council are unable to invest in assets that are purchased purely for income yield. The revised allocation includes £755,000 for the repairs and preparation work on 270 Science Park which were not completed in 2021/22. An amount of £200,000 for preliminary work is expected to be spent on the Waterbeach Renewable Energy Network (WREN) during 2022/23. The costs of the Waterbeach Renewable Energy Network have escalated exponentially mainly due to inflationary pressures.
22. The proposed update to the capital programme allocates £4m to be spent in 2023/24 and £10m per annum thereafter. The investment strategy will be updated and submitted to be considered as part of the budget papers in February 2023.

Head of Climate, Waste & Environment

23. The purchase of two electric refuse vehicles and air quality monitoring equipment purchase will now occur in 2022/23, allocated budgets have been increased to reflect expenditure likely to occur.
24. The refuse collection vehicle programme has been rephased in line with the WREN project primarily because there is only capacity to charge four electric refuse vehicles. This is impacted by the delay in the Waterbeach Renewable Energy Network project which will not be completed and fully operational until 2024/25.

Head of Finance

25. The Council's annual contribution of £200,000 towards the A14 has been revised to reflect the additional money received from the County council.

Head of Housing

26. Some of the allocation made in 2022/2023 for the Northstowe Civic Hub and Community Centre has been rolled forward to be spent in 2023/2024 in recognition of delays to the programme. The sports pavilion build is currently underway, £3.06 million allocated in

2022/23 and a further £0.34m allocated in 2023/24 with the project to completed by June 2023.

Head of Transformation, HR & Corporate Services

27. The greening project of South Cambs Hall has been significantly delayed from its original timeline mainly due to the pandemic and unsatisfactory build works which are still being resolved with the contractor. In recognition of the delays the allocated budget has been rephased to be spent in 2022/2023.
28. The ICT projects totalled around £152,000 within the original programme though this has since been increased to £177,000 mainly due to the new server technologies project.

Advances to Housing Company

29. During 2021/22 Ermine Street met the 500 property purchase target, below the original loan requirement from the Council. However, further opportunities have arisen in the current financial year to purchase more properties though this requires the Council to lend £5.5m during 2022/23 which is still within the £100m originally agreed for lending purposes.
30. Inclusion of the new bids listed at **Appendix A**.
31. On the financing side borrowing is required to finance the Investment Strategy.
32. Details of the full General Fund Capital Programme from 2022/2023 (current year) to 2026/2027, incorporating new scheme bids, is shown at **Appendix B**.
33. The table below sets out a summary of the revised HRA Fund Capital Programme with an explanation of the key variations.

HRA Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Gross Directorate Budgets:					
Existing Stock Improvements	7,861	8,346	9,141	8,039	8,200
Other Improvements	195	71	75	76	78
New Build	18,172	24,000	24,000	24,000	24,000
Other	175	175	175	175	175
Gross Total	26,403	32,592	33,391	32,290	32,453
Financed By:					
Grants / Contributions	475	600	450	400	-
Direct Revenue Financing	8,474	9,474	8,724	10,724	10,974
Capital Receipts	9,398	14,101	15,001	7,551	5,201
Major Repairs Reserve	8,056	8,417	9,216	8,115	8,278
Borrowing	-	-	-	5,500	8,000
Total Financing	27,327	32,592	33,391	32,290	32,453

Key variations can be summarised as follows:

Existing Stock Improvements

34. Budgets for improvements to existing stock are reprofiled each year in line with requirements. The allocation is higher in 2022/2023 revised as result of slippage from the previous year. The budgeted allocation allows for the service to seek catch up on a significant programme of external wall insulation at Musgrave Way, Teversham which was delayed.

Other Improvements

35. Budgets for other improvements include works at Sheltered Housing, other stock, and flats. The increase in the revised budget allocation comparative to the original budget is mainly related to sheltered schemes at Elm Court, comprising of one block of flats, a communal room and a hub office (solar project £83,000 and fire risk related works £42,000).

New Build

36. The Housebuilding programme allocations are reprofiled regularly. The previously unallocated amount in 2022/2023 has now been allocated or reprofiled into 2023/2024 where amounts are not expected to be spent in this financial year. The revised budget also includes slippage on schemes at Bennell Farm, Toft, Babraham Road, Sawston and Strawberry Farm, Great Abington which were due to be completed in 2021/22.
37. On the financing side borrowing is not expected to be required until 2025/2026 for HRA schemes.
38. Details of the full HRA Capital Programme from 2022/2023 (current year) to 2026/2027, incorporating new scheme bids, is shown at **Appendix C**.

Options

39. The option exists of not approving new capital funding bids.

Implications

40. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered: -

Financial

41. The Council has two policies which underpin the Capital Programme, namely the Capital Investment Strategy and the Medium-Term Financial Strategy (MTFS). The former provides the framework for the evaluation, approval and monitoring of capital schemes and this includes a requirement for an annual report each September relating to schemes completed in the previous financial year. The MTFS provides the framework for funding the

Capital Programme and, in line with good practice, no capital scheme can be authorised, and no commitment made until:

42. Capital finance is in place to cover the full capital costs; and it has been determined by Council that the ongoing revenue cost consequences are affordable in the light of forward three-year Revenue Budget forecasts and related Council Tax consequences.
43. The Capital Strategy was approved by Council at its meeting on 22 February 2022 and provides the framework for submitting and considering new bids and for reviewing the performance of schemes in the approved programme.
44. Specifically, it is appropriate to submit an annual report (as part of performance monitoring arrangements) in respect of capital schemes that have reached practical/substantial completion in terms of whether or not the scheme has met the objectives and, where appropriate, relevant performance measures.
45. There are additional resources required to fund the further loans to Ermine Street though interest on lending the Council takes out to fund this will be at a lower rate than the interest income the council receives from Ermine Street.

Risks / Opportunities

46. The main risks associated with the capital programme are that budgets are not adequate, leading to overspend and the financial implications arising from this or that the schemes will not meet the desired objectives.
47. The future aspirations for capital schemes must be affordable (i.e. there is identified capital resource to fund schemes) and capital budgets must be adequate to avoid overspending with consequent financial implications.

Consultation responses

48. None, except budget holders.

Alignment with Council Priority Areas Housing that is truly affordable for everyone to live in

49. The Council is committed to providing new homes for tenants through the New Build programme which has been built into the Capital Programme for 2022/2023 and subsequent years. This report supports the Councils business plan by recommending rephasing budgets in relation to HRA housebuilding.

Being green to our core

50. The Capital Programme provides an update on a number of schemes which relate to the green to our core element of the Councils business plan.

Background Papers

- General Fund Medium Term Financial Strategy – Council: 22 February 2022
- Budget Reports – Report to Cabinet: 3 February 2021
- Budget Reports – Report to Council: 22 February 2022
- General Fund Revenue & Capital Budget Provisional Outturn – Report to Cabinet: 14 November 2022
- Housing Revenue Account Revenue & Capital Budget Provisional Outturn – Report to Cabinet: 12 September 2022

Appendices

Appendix A: Capital Programme General Fund – New Bids

Appendix B: Updated General Fund Capital Programme 2022/2023 – 2027/2028

Appendix C: Updated HRA Capital Programme 2022/2023 – 2027/2028

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