

<b>Report to:</b>	Cabinet	05 December 2023
<b>Lead Cabinet Member:</b>	John Williams - Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock - Head of Finance	

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## Capital Programme Update & New Bids

### Executive Summary

1. To consider the new Capital Programme bids from 2024/2025 and the revised capital programme for the period 2023/2024 to 2028/2029.

### 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 outlined 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 2023/2024 to 2028/2029, 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 2024/2025 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. Included within Appendix A are the climate impact assessment results and associated comments. The traffic light system is explained as below:

Positive impact	Green
Neutral i.e., no significant negative or positive impact	Amber
Possible mitigation measures required, and more thought needed to lessen an impact	Red

8. 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.
9. 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**

10. 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.
11. 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 forecast for 2023/2024 £1.8m right to buy receipts with £1.5m retained for investment in new build.

12. 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 £60,000 per year per £1 million borrowed over 25 years) of the proposed total programme and impact on Council Tax in terms of affordability.
13. 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.
14. 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.
15. The Capital Programme is prepared on a five-year rolling programme. As such Cabinet/Council in February 2024 will be considering the programme for the financial years 2024/2025 through to 2028/2029.
16. 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 £0m), the additional cost of the capital programme in 2024/2025 will be **£14,900**. This is in addition to the borrowing required for the existing capital scheme approvals for 2024/2025 (i.e., £10 million) at an estimated revenue cost of **£0.56 million**. This is based on an interest rate of 5.6%
17. The total additional cost to revenue for the borrowing costs of the full capital programme (including existing approvals plus the above new bids) is **£0.575 million** in 2024/2025.

### **Capital Programme Monitoring**

18. Full Council, at its meeting on 21 February 2023, approved new schemes for inclusion in the General Fund and HRA capital programme for the period 2023/24 to 2027/28 and also the re-profiling of the existing programme.

The full General Fund capital programme, approved by Council in February 2023, is summarised in the table below:

General Fund Capital Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<b>Gross Directorate Budgets:</b>					
Chief Executive	11,419	10,334	10,000	10,000	10,000
Head of Climate, Environment & Waste	2,572	5,460	4,484	974	1,728
Head of Finance	272	261	261	251	242
Head of Housing	13,155	13,737	8,271	1,405	1,405
Head of Transformation, HR & Corporate Services	2,049	83	725	515	615
<b>Gross Total</b>	<b>29,467</b>	<b>29,875</b>	<b>23,741</b>	<b>13,145</b>	<b>13,990</b>
<b>Financed By:</b>					
Grants/Contributions	14,994	11,023	6,562	1,290	1,780
Revenue	3,401	2,963	2,986	712	974
Capital Receipts	7,092	5,889	4,193	1,143	1,236
Borrowing	3,980	10,000	10,000	10,000	10,000
<b>Total Financing</b>	<b>29,467</b>	<b>29,875</b>	<b>23,741</b>	<b>13,145</b>	<b>13,990</b>

19. The full HRA capital programme, approved by Council in February 2023, is summarised in the table below:

HRA Capital Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<b>Gross Directorate Budgets:</b>					
Existing Stock Improvements	8,346	9,142	8,039	8,200	8,361
Other Improvements	71	75	76	78	79
New Build	32,007	24,648	19,650	19,010	19,010
Other	175	175	175	175	175
<b>Gross Total</b>	<b>40,600</b>	<b>34,040</b>	<b>27,940</b>	<b>27,463</b>	<b>27,625</b>
<b>Financed By:</b>					
Grants/Contributions	5,100	450	400	-	-
Direct Revenue Financing	14,888	12,523	9,580	9,835	10,335
Capital Receipts	12,194	9,850	6,845	6,850	6,850
Major Repairs Reserve	8,418	9,217	8,115	8,278	8,440
Borrowing	-	2,000	3,000	2,500	2,000
<b>Total Financing</b>	<b>40,600</b>	<b>34,040</b>	<b>27,940</b>	<b>27,463</b>	<b>27,625</b>

20. There is a need to update the capital programme to consider amendments to and the re-phasing of the 2024/2025 and future year schemes following ongoing monitoring of project progress and factors influencing the timing of deliverability.

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

<b>General Fund Capital Programme</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>
<b>Gross Directorate Budgets:</b>					
Chief Executive	2,943	16,674	10,200	10,000	10,000
Head of Climate, Waste & Environment	2,740	3,641	7,139	2,143	1,025
Head of Finance	25	-	-	-	-
Head of Housing	4,373	3,630	15,809	9,055	7,905
Head of Transformation, HR & Corporate Services	2,147	586	794	524	615
<b>Gross Total</b>	<b>12,228</b>	<b>24,531</b>	<b>33,942</b>	<b>21,722</b>	<b>19,545</b>
<b>Financed By:</b>					
Grants / Contributions	5,280	9,440	11,818	8,903	3,960
Revenue	1,619	3,478	4,483	525	808
Capital Receipts	5,329	1,613	7,641	2,294	4,777
Borrowing	-	10,000	10,000	10,000	10,000
<b>Total Financing</b>	<b>12,228</b>	<b>24,531</b>	<b>33,942</b>	<b>21,722</b>	<b>19,545</b>

**Key variations by directorate are summarised as follows:**

Chief Executive

22. A vast amount of the £6.020 million allocation made in 2023/2024 for the Waterbeach Renewable Energy Network (WREN) projects has been rolled forward to be spent in 2024/2025 in recognition of preparatory work taking place initially and options being sought around procurement before work can commence.

Head of Climate, Waste & Environment

23. The Head of Climate, Environment and Waste budget is provided in the main for vehicle replacements for the waste fleet, the allocated budgets reflect expenditure likely to occur. The purchase of two electric refuse vehicles will occur in 2023/24, one of the vehicles was delivered in May 2023 and the second is scheduled to be delivered in March 2024.

24. The refuse collection vehicle programme has been rephased in line with the WREN project primarily because there is currently only capacity to charge four electric refuse vehicles as opposed to 18 when the Waterbeach Renewable Energy Network project is completed and fully operational.

25. £299,000 has been added to 2023/24 for the purchasing of a 'new' ex-demonstration mechanical road sweeper which became available to buy on the open market. This has replaced a vehicle that was 9 years old, though the expenditure was not envisaged in the capital programme for 2023/24 the purchase will create significant savings. The additional expenditure will be offset from the fleet renewable sinking fund reserve.

### Head of Finance

26. The Council's annual contribution towards the A14 has been removed from the programme because a decision was made in 2022/23 to pay the contribution upfront instead of £242,000 annually for 25 years saving the Council £2.3m. This is treated as Revenue expenditure funded from capital (ReFCuS) as it does not result in the creation of a Council asset, but the expenditure is of a capital nature.

### Head of Housing

27. The sports pavilion build is now complete and handover to the Council occurred during October 2023, preliminary work is underway on the Community Centre with a view to tendering for a construction partner in December 2023. The capital programme has been updated in recognition that much of the original spend in 2023/24 will now not occur until 2025/26 and 2026/27.

### Head of Transformation, HR & Corporate Services

28. The Greening of South Cambs Hall is close to completion with remedial work taking place for unforeseen issues discovered with existing works. In recognition of the delays the allocated budget has been rephased to be spent in 2023/2024.
29. Some of the allocation made in 2022/23 in relation to the Cambourne office adaption and enhancement works has been rolled forward to be spent in 2023/2024 and 2024/25 in recognition of delays to the programme.
30. The Council's ICT projects of £277,000 for 2023/24 has been revised to facilitate the completion of works which were committed at the end of 2022/23.
31. Inclusion of the new bids listed at **Appendix A**.
32. On the financing side borrowing is required to finance the Investment Strategy.
33. Details of the full General Fund Capital Programme from 2023/2024 (current year) to 2027/2028, incorporating new scheme bids, is shown at **Appendix B**.
34. The table below sets out a summary of the revised HRA Fund Capital Programme with an explanation of the key variations.

HRA Capital Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<b>Gross Directorate Budgets:</b>					
Existing Stock Improvements	8,346	9,142	8,039	8,200	8,361
Other Improvements	71	75	76	78	79
New Build	56,126	24,616	20,190	11,543	11,409
Other	150	150	150	150	150
<b>Gross Total</b>	<b>64,693</b>	<b>33,983</b>	<b>28,455</b>	<b>19,971</b>	<b>19,999</b>
<b>Financed By:</b>					
Grants / Contributions	11,600	450	400	-	-

Direct Revenue Financing	14,176	14,466	12,580	9,343	9,209
Capital Receipts	21,000	9,850	7,360	2,350	2,350
Major Repairs Reserve	8,417	9,216	8,115	8,278	8,440
Borrowing	9,500	-	-	-	-
<b>Total Financing</b>	<b>64,693</b>	<b>33,983</b>	<b>28,455</b>	<b>19,971</b>	<b>19,999</b>

**Key variations can be summarised as follows:**

Other HRA Capital Spend

35. The decrease in the revised budget allocation comparative to the original budget is related to the removal of the upfront assembly costs for sale of HRA land.

New Build

36. The Housebuilding programme allocations are reprofiled regularly. The previously unallocated amount in 2023/2024 has now been allocated or reprofiled. The revised budget also includes slippage on schemes at New Road, Over and Rampton Road, Cottenham which were due to begin in 2022/23.

37. The Local Authority Housing Fund Acquisitions scheme totalled around £11.0 million within the original programme with £4.5 million grant money to fund the project, though this has since been revised to £25.86 million and a total of £11.0 million grant funding to acquire properties for Ukrainian and Afghan refugees along with some temporary accommodation.

38. On the financing side borrowing is now expected to be required in 2023/2024 for HRA schemes.

39. Details of the full HRA Capital Programme from 2023/2024 (current year) to 2027/2028, incorporating new scheme bids, is shown at **Appendix C**.

**Options**

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

**Implications**

41. 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 and Fraud Risk**

42. 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 MTFFS 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:

43. 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.
44. The Capital Strategy was approved by Council at its meeting on 21 February 2023 and provides the framework for submitting and considering new bids and for reviewing the performance of schemes in the approved programme.
45. 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.
46. The fraud risk is assessed on a project by project basis as the exposure to fraud risk varies depending on the project in question.

### **Risks / Opportunities**

47. 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.
48. 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**

49. None, except budget holders.

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

50. The Council is committed to providing new homes for tenants through the New Build programme which has been built into the Capital Programme for 2023/2024 and subsequent years. This report supports the Councils business plan by recommending rephasing budgets in relation to HRA housebuilding.

### **Being green to our core**

51. 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 – Cabinet: 07 November 2023
- Budget Reports – Report to Cabinet: 06 February 2023
- Budget Reports – Report to Council: 21 February 2023
- General Fund Revenue & Capital Budget Provisional Outturn – Report to Cabinet: 07 November 2023
- Housing Revenue Account Revenue & Capital Budget Provisional Outturn – Report to Cabinet: 07 November 2023

## **Appendices**

Appendix A: Capital Programme General Fund – New Bids

Appendix B: Updated General Fund Capital Programme 2023/2024 – 2028/2029

Appendix C: Updated HRA Capital Programme 2023/2024 – 2028/2029

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