

**Capital Programme - Month 6 2022/23**

**Reason for the Scrutiny**

1. To provide Members with an opportunity to consider in depth the Council's Capital Programme, including a progress report published as a part of the month 6 2022/23 monitoring report to Council.

**Structure of the Papers**

2. To facilitate the scrutiny the following appendices are attached to this report:

**Appendix A** – Cabinet report – Budget Monitoring – Month 6 2022/23.

Attached to the Cabinet report are the following appendices ***focussing on the Capital Programme only***

Annex 1 – Capital Strategy 2022-23

Appendix 4 – Capital Programme Summary

Appendix 5 – Capital Programme Schemes Update

**Background**

3. The Policy Review and Performance Scrutiny Committee's Terms of Reference includes responsibility for monitoring the overall Council budget, both Revenue and Capital budgets.
4. The Committee, as part of its work programming discussions for 2022/23 requested an opportunity to focus in greater depth on the Capital Programme

position. Further to the Committee's consideration of the budget position in October 2022 and given the economic challenges of increasing interest rates and building costs, Members requested detail of all capital projects, associated costs and information on the treasury management position.

5. Members are reminded that the month 6 2022/23 Cabinet Report covers both Revenue and Capital positions. Whilst the whole Cabinet report is attached, for this item Members are requested to focus questions on the Capital sections of the report.

### **Capital Strategy 2022/23**

6. The Capital Strategy attached at **Annex 1** is an integral part of the Council's Strategic and Financial Planning Framework. It sets out the framework for Council capital investment decisions to deliver major commitments within the Administration's policy programme, addressing:
  - a. Working with partners (*page 6*)
  - b. Asset management planning (*page 7*)
  - c. Risk appetite (*page 8*)
  - d. Governance and decision making (*pages 9-10*)
  - e. Capital investment in 2022/23 and indicatively to 2026/27 (*pages 11-12*)
  - f. Funding the strategy (*pages 13-15*)
  - g. Managing the borrowing requirement (*pages 16-17*)
  - h. Prudent Minimum Revenue Provision (MRP) Policy for repayment of capital expenditure (*page 18*)
  - i. Affordability (*pages 19-21*)
7. Attached to the Strategy document is the Capital Investment Programme for this year (2022/23) and indicative expenditure for the following four years. Also attached is an illustration of Capital Funding 2022/23 – 2026/27

## Capital Programme 2022/23

8. Members will find detail of the Council's Capital Programme in **Appendices 4 and 5** of the papers. The Council's Capital Programme is currently **£230.926 million** for 2022/23 including an indicative programme to 2026/27. The 113 current schemes are listed by Directorate. To set the context behind the financial position, **Appendix 5** provides the narrative around progress made by each Directorate on delivering schemes within the Capital Programme.
9. At month 6 2022/23 the projected outturn for the year is currently **£148.053 million** against a total capital programme of **£223.532 million** with a variance of £75.479 million, which is predominantly slippage. **Expenditure at Month 6 was £57.238 million** which represents **38% of the projected outturn**, however there are a number of large expenditure items which are anticipated to progress during the latter part of the year.
10. **Points 28-33 of Appendix A** present an update of progress on Capital Schemes, stressing the essential role that the Council's capital investment programme plays in both stimulating the local economy and delivering local services. There is reference to significant construction cost inflation resulting from increased tender activity, material availability, and labour shortages. This represents a delivery and affordability risk to projects to remain within estimated budgets following the outcome of tenders. This may require re-prioritisation of schemes to be undertaken including changes in specification where this allows the same outcomes to be met.
11. Directorates are reminded that effective contract management will be required. There is a need to allocate sufficient capacity and resource to ensuring projects progress in the timescales intended. The need to utilise grants awarded and ensure they are fully utilised in approved timescales is an important risk to be managed by directorates in the remainder of the year.
12. In February 2018, the Council set a target of **£40 million** non-earmarked General Fund Capital receipts. As at March 2022 **£10.060 million** had been received. The

Annual Property Plan 2022/23 forecasts income at £5.5 million, receipts to date are £2.5 million, as at month 4.

13. At **points 37-45 of Appendix A** Members will find details of the Housing Revenue Account position. This budget covers estate regeneration schemes; planned investment in the refurbishment of Council dwellings; disabled adaptations and expenditure on the development of new housing and other development projects. The programme of work for the Housing Revenue Account is **£74.610 million** and at month 6 expenditure was **£35.849 million**, circa **47% of the projected outturn**. HRA expenditure is forecast at £76.150 million, requiring budget of £1.540 million to be brought forward due to accelerated spend on the re-cladding of Lydstep Flats.
  
14. Importantly the report highlights that the construction market continues to face supply shortages and rising material prices resulting in higher development costs. The Council continues to experience significant demand for affordable housing.

### **Way Forward**

15. Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance. There will be a presentation to ensure full understanding of the strategy, governance and monitoring arrangements that support successful delivery of the Capital Programme, focussing also on the particular challenges of delivering the Programme in 2022/23. The witness team will take Members' questions.

### **Legal Implications**

16. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations

for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

17. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

### **RECOMMENDATION**

The Committee is recommended to:

- i. note the month 6 2022/23 budget monitoring report.
- ii. consider whether it wishes to make any comments, observations or recommendations to the Cabinet.

**DAVINA FIORE**

Director, Governance & Legal Services

**9 November 2022**