

Agenda Item No:	8	
Committee:	Cabinet	
Date:	11 July 2022	
Report Title:	Capital Programme Update	

Cover sheet:

1 Purpose

- To consider the updated capital programme and variations in resources since February 2022.

2 Key issues

- An updated capital programme and resources statement for 2022-25 is presented.
- The programme agreed in February 2022 has been updated and re-profiled in accordance with the 2021-22 capital outturn.
- The capital programme continues to reflect the Council's commitment to deliver a range of major externally funded capital schemes, including the March Future High Street project and Wave 1 of the Social Housing Decarbonisation Fund.
- A separate report on Wisbech High Street is included on the agenda for today's meeting. Should Members decide to recommend to Council the allocation of further capital funds, over and above those approved in earlier iterations of the capital programme, further updates shall be made to the capital programme.
- Like much of the private and public sector, the Council finds itself subject to significant inflationary pressures with the cost of materials, labour and finished goods all exhibiting significant price increases. Officers have worked with the finance team to identify and implement strategies to deliver schemes within budget wherever possible and/or identify alternative sources of funding. In some cases, it has been necessary to allocate additional funds and commentary on these changes is included in the report.
- Officers and Members have been working with the Council's professional advisors to develop an Accommodation Strategy. An options appraisal is currently being developed. Until Members determine their preferred options the impact on the capital programme cannot be determined. However, given information obtained from recent condition surveys the capital cost of whichever option is chosen is likely to be significant. These capital costs will need to be financed in the medium term.
- Remedial works on a section of operational land of the quay at the Port of Wisbech were undertaken in 2020/21 and 2021/22. A further survey on the remaining operational land was undertaken in 2021/22. Officers are awaiting an assessment of the cost of works identified in the survey as being necessary on health and safety grounds. Details will be provided as part of a future report to Cabinet.

- The Council's capital programme will continue to be part-funded by applying capital receipts. Some use of internal and external borrowing is still anticipated. This is reflected in the Council's current medium-term financial strategy (MTFS). Where schemes are funded principally from external borrowing Members are asked to note that interest rates on external borrowing are expected to rise in line with the Bank of England's strategy to address the current level of inflation. The Council continues to work closely with its treasury advisors to identify the most effective strategy to address the Council's borrowing needs.
- A broader update of the capital programme and available resources will be undertaken during the autumn of 2022 as part of the budget setting process for 2023/24.

3 Recommendations

- It is recommended that the updated capital programme as set out in Appendix A, which includes alterations to those schemes not funded from grant which consequently require additional capital expenditure not specifically budgeted for but remain within the overall capital budget, is approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper(s)	2022/25 Capital Programme working papers

Report:

4 Introduction

- 4.1 The Council's 2021-25 capital programme was approved by Cabinet and Council in February 2022. The capital outturn for 2021/22 forms part of a separate item on the agenda for today's meeting.
- 4.2 This report addresses amendments to the programme since February, including re-profiling schemes from 2021/22 and a re-assessment of resources available in the period 2022-25.
- 4.3 A broader update of the capital programme and available resources will be undertaken during the autumn of 2022 as part of the budget setting process for 2023/24.

5 Updated Capital Programme – Council Assets

- 5.1 The updated programme detailed at Appendix A is fully-funded subject to the realisation of £465,000 of capital receipts by 31 March 2025. This estimate excludes any receipt linked to the disposal of development land to Fenland Future Limited. This is because whilst land is scheduled to be transferred in this financial year, it is possible that receipt of the agreed sale price will be deferred until such time that the land has been developed. When capital receipts are deferred, the Council is only able to apply those receipts to fund the capital programme when the cash falls due.
- 5.2 The following developments have impacted significantly on the Council's capital programme ('the programme').

Accommodation Strategy

- 5.3 Members will be aware that the programme includes provision for work to be undertaken at Fenland Hall and The Base reflecting the likely cost of addressing findings set out in the condition surveys obtained by officers in previous years. Currently members and officers are working closely with the Council's professional advisors to produce an Accommodation Strategy. The decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When decisions are taken regarding members' preferred option/s the capital programme will be adjusted accordingly. On this basis commitments relating to Fenland Hall and the Base have been removed from the current programme.

Leisure Centres – Condition Survey Works

- 5.4 The capital programme was updated in December 2021 to reflect the anticipated cost of completing condition survey works identified in a condition survey of the Council's leisure centres undertaken by CIPFA. Good progress has been made on one of the most significant projects which related to urgent works to the roof at the Hudson Leisure Centre. Officers and the accountancy team have reviewed the anticipated timing and costing associated with future tranches of work and updated the programme accordingly.
- 5.5 Following discussion with Freedom, a phased approach to roofing works has been agreed recognising the assessed priority of the remedial works required at each location. Working with the consultancy that successfully managed the improvement works at the Hudson Leisure Centre, Freedom and the Council have agreed that works on the roof at the Hudson Leisure Centre should be undertaken in this financial year. The estimated cost of these works exceeds the budget originally set aside for condition survey works in 2021/22 so further funds have been allocated in the updated programme to reflect the expected cost of the work required.

Structural Works – Port of Wisbech

- 5.6 Major capital works commenced in the 2020/21 financial year to address health and safety risks identified following a survey of Crab Marsh quay. These works completed within budget in the 2021/22 financial year. During the 2021/22 financial year a further survey was commissioned covering the remaining stretch of operational quay at the Port of Wisbech. Officers are working with external consultants to determine the cost of rectifying the structural deficiencies identified. A separate report will be brought to Cabinet when further information is available.

Highway Improvements, Huntingdon Road, Chatteris

- 5.7 Members and officers have been aware of a long-standing issue concerning the condition of the access route into the play area at Huntingdon Road in Chatteris. In February 2022 funding of £35,000 was included in the capital programme to make the necessary improvements to the access route. Since that funding was allocated, further investigations on site have identified drainage issues which render the original solution proposed to be unsuitable. The revised solution is more costly and consequently an additional £55,000 has been allocated in the programme set out in the appendix.

Commercial and Investment Strategy Schemes

- 5.8 From February 2020 the programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial and Investment Strategy. The remaining allocation has been profiled to reflect the anticipated timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

6 Updated Capital Programme – Grant-Funded Schemes

Brownfield Development Fund

- 6.1. In collaboration with the County Council, the Council was successful in securing an allocation of £200,000 from the government's One Public Estate – Brownfield Land Release Fund to fund improvements to infrastructure at the Nene Waterfront site. The programme has been updated to reflect the design and construction work necessary to install an additional electricity substation on the site. Delivering these improvements will facilitate further development of the site in line with proposals already approved by the Council's Investment Board.

Wisbech High Street

- 6.2 Cabinet has continued to receive regular updates regarding the complex and ambitious project to transform neglected properties in Wisbech High Street using funding provided by the National Heritage Lottery Fund. A more detailed report explaining the status of the project is included as part of the agenda for today's meeting. The programme will be updated once decisions have been taken by Council and Cabinet. Further updates to the programme may be required if opportunities to develop 11-12 High Street come to fruition. Such developments would impact not only the value of the programme but also the total value of grant-funding available to the Council to support the overall project.

Wisbech Water Park and Pavilion

- 6.3. 1 Cabinet has previously been informed of the Council's success in securing funding from the County Council and the Combined Authority to make two landmark

investments in Wisbech Town Park. The funding awarded is finite and the timescales for completing both projects in line with the funders' stipulations are tight. Good progress has already been made with much of the physical works to install the water park having been tendered and designs for the pavilion agreed with stakeholders. At this stage of both projects, it is apparent that the external funding provided will be insufficient to cover the full costs of completing each project.

- 6.3.2 Officers have worked with accountancy to identify alternative sources of funding within the parks and open spaces service to minimise the impact on the Council's capital resources of delivering both projects in their current form. This includes the application of section 106 monies recently received by the Council and use of a grant to fund works to create an accessible toilet in the pavilion building. Work on the water park is scheduled to complete over the summer months so the amount committed in the programme is understood to reflect the expected cost of delivering the scheme. The construction of the pavilion has not yet gone out to tender. Should costs exceed those set out in the programme a further report will be presented at a meeting of Cabinet.

Future High Street Fund, March

- 6.4 Members have received regular updates regarding the delivery of improvements in March using funding provided by government as part of the Future High Streets Fund initiative and match-funding from the Combined Authority. The profiling of spend on the different elements of the overall project has recently been updated in line with assessments from officers and colleagues at the County Council who are providing design and procurement expertise. Linked to the investment in March are some ancillary projects which sit outside the bid submitted to government but nevertheless represent investment which is considered necessary to ensure residents and businesses secure optimal benefit from the High Street fund investment. Once costings have been confirmed updates will be provided to Members as part of a future report to Cabinet.

Railway Station Master-planning

- 6.5 Members will be aware of the major redevelopment works which have recently been completed at March station using grant-funding provided by the Combined Authority. Alongside this project, the Council has been constructing a car park adjacent to Manea railway station. Due to poor weather conditions in the autumn and winter of 2021/22, the Manea car park project is behind schedule. The delays, together with some necessary variations to the programme of works, mean the budgeted cost will exceed that envisaged in the original grant agreement which the Council entered into with the Combined Authority. Officers are negotiating with the Combined Authority about whether there is scope to cover the overspend but these discussions are ongoing. Therefore the programme reflects the Council's potential exposure to approximately £33k of capital expenditure which is not funded from grant.

Disabled Facilities Grants

- 6.6 The updated programme reflects the Council's 2022/23 allocation from the local Better Care Fund (£1.215m) for the provision of Disabled Facilities Grants, together with grant received but not spent in previous years. In this area grants are typically committed before works can be undertaken on site and this means there is often an overlap between financial years.

Social Housing Decarbonisation – 'Wave 1' Funding

- 6.7 During the 2021/22 financial year the Council worked with Clarion to deliver improvements to reduce the carbon footprint of social housing using funding provided as part of a government initiative known as the Social Housing Decarbonisation Fund.

In early 2022 the Council was informed that it had secured funding to enable Clarion to deliver a subsequent round of decarbonisation improvements known as Wave 1. This was reported to Cabinet at its meeting held on 24th February 2022. This project is reflected in the capital programme and involves works to 450 properties, of which 200 are in Fenland. The work is scheduled to complete by 31 March 2023. The value of the programme.

7. Financing the Capital Programme

- 7.1 Cabinet and Council approved in February 2022 the use of borrowing (both internal and prudential) to fund the capital programme totalling £31.443m over a four-year period ending on 31 March 2025. The capital outturn included on the agenda for today's meeting indicates that £1.647m of the capital programme delivered in 2021/22 was funded from internal borrowing. The updated programme shows that the Council is likely to continue to need to fund a substantial proportion of its capital programme from internal or external borrowing.
- 7.2 Members are also reminded of the impact on the revenue account of using uncommitted capital resources. Whilst they remain uncommitted, the resources are invested and generate revenue income to the general fund. Rates of return on short-term investments are starting to improve as interest rates increase and the Council is set to benefit from distributions it will receive following a recent investment in property funds. Whilst there is scope for the Council to consider additional use of reserves to fund its capital programme as this reduces the need to borrow externally at a time when PWLB interest rates are also climbing, there is an opportunity cost associated with the use of reserves to fund the programme as any funds deployed in this way are not available to fund the Council's transformation programme, its Commercial and Investment Strategy and future revenue cost pressures which might arise in the medium-term.

CAPITAL PROGRAMME AND FUNDING 2021 - 2025

	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme (excluding Commercial and Investment Strategy Schemes)	16,398	10,111	1,779
Commercial and Investment Strategy Schemes	2,477	13,500	5,000

CURRENT FORECAST EXPENDITURE

18,875	23,611	6,779
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FORECAST RESOURCES AVAILABLE

Capital Grants	10,528	8,055	950
Usable Capital Receipts - In Year	265	100	100
Reserves used in year to fund Capital	255	0	0
Section 106s and Other Contributions	217	5	0
Borrowing (Internal and Prudential)	7,610	15,451	5,729

Total Forecast Resources

18,875	23,611	6,779
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CAPITAL PROGRAMME SUMMARY 2022/23 - 2024/25

	2022/23 £000	2023/24 £000	2024/25 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres							
1 Condition Survey Improvements	821	1,266	464	2,551	2,551		
Regeneration Programmes							
2 Fenland Renaissance and Place Shaping	16			16	16		
3 Heritage Lottery Fund - Non-FDC Properties	135			135	81	54	£54k HLF Grant.
4 Heritage Lottery Fund - 24 High Street, Wisbech	1,271			1,271	1,033	238	£238k HLF Grant.
5 Railway Station Master-Planning	350			350	73	277	£277k CPCA Grant, £40k S106
6 Future High Street Fund, March	1,367	7,005		8,372	197	8,175	£2,000k CPCA, £6,122k DLUHC Future High Streets, £53k
7 Growing Fenland - Capital Grants	33			33		33	DLUHC 'Changing Places' Grant £33k CPCA Grant
Cemeteries							
8 Cemetery Chapels Condition Survey Works	315			315	315		
9 Remedial Works in Closed Cemeteries	130	240	50	420	420		
Highways							
10 Category 2 Street Lights - FDC Lights	174			174	174		
11 Street Name Plates/District Facilities Signage	18			18	18		
Street Light Improvements - Parishes (Contribution to Cat 2							
12 Replacements)	6			6	6		£6k Capital Contribution Reserve
13 Growing Fenland - Civil Parking Enforcement	252	100		352		352	£352k CPCA Grant
14 Huntingdon Road Improvements, Chatteris	90			90	90		
Environment							
15 Replacement and Grant-Funded Additional Litter Bins	53			53	53		
Port							
16 Boat/Vessels - Replacement Deck, Hull and Engines	47			47	47		
Sub Total	5,078	8,611	514	14,203	5,074	9,129	

	2022/23 £000	2023/24 £000	2024/25 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Brought Forward	5,078	8,611	514	14,203	5,074	9,129	
Parks and Open Spaces							
17 Parks, Play Areas and Open Space - Chatteris	40			40	40		£6k S106 money
18 Parks, Play Areas and Open Space - Doddington	75			75	75		£21k S106 money
19 Parks, Play Areas and Open Space - Guyhirn	48			48	48		£48k S106 money
20 Parks, Play Areas and Open Space - Wisbech	20	20	15	55	55		£25k S106 money
21 Parks, Plays Areas and Open Space - Whittlesey	45			45	45		
22 Wisbech Water Park	245			245	95	150	£148K CPCA Grant, £2K Wisbech Town Council, £41k S106
23 Wisbech Park Pavillion	640			640	41	599	£240K Cambs CC Capital Communities Fund Grant, £299K CPCA Grant, £60K DLUHC Changing Places Grant, £41k S106
Vehicles and Plant							
24 Vehicles	364	80	200	644	644		
ICT System Replacement Programme & Upgrades							
25 Replacement & Upgrade Programme	348	200	100	648	648		£249k Management of Change Reserve
Improvement of Assets							
26 Sewage Treatment Works Refurbishment	507	250		757	757		
27 Birch Fen Silt Removal and Outfall Maintenance	19			19	19		
28 March Moorings Renewals	24			24	24		
29 Lattersley Nature Reserve - Capping Layer	40			40	40		
30 Energy Efficiency Improvements to Clarion Properties	5,203			5,203		5,203	£5,203k BEIS 'Wave 1' Funding
31 Nene Waterfront Infrastructure Improvements	200			200		200	£200k Brownfield Land Release Fund
Car Parks							
32 Eastwood, Chatteris	100			100	100		
Economic Estates							
33 Replacement of AV Equipment at Business Centres	50			50	50		
34 South Fens Business Park Expansion	1,941			1,941	1,000	941	£941k CPCA 'Business Space' Funding
Private Sector Housing Support							
35 Private Sector Renewal Grants	240	40	40	320		320	£320k Govt Grant
36 Disabled Facilities Grants	1,171	910	910	2,991		2,991	£2991k Govt Grant
Total - Approved Programme	16,398	10,111	1,779	28,288	8,755	19,533	