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| Agenda Item No: | 8 |  |
| Committee: | Cabinet | |
| Date: | 15 July 2021 | |
| Report Title: | Capital Programme Update | |

1 Purpose

- To consider the updated capital programme and variations in resources since February 2021.

2 Key issues

- Updated capital programme and resources statement for 2021-24 is presented.
- The programme agreed in February 2021 has been updated and re-profiled in accordance with the 2020-21 capital outturn.
- Significant updates have been incorporated into the capital programme to take account of recent condition surveys undertaken at Fenland Hall and the Base.
- The report provides commentary and incorporates updates concerning the likely cost and timing of works due to be undertaken at the Council's leisure centres.
- Recent developments relating to grant-aided projects on Wisbech High Street are incorporated into the updated programme.
- The Council's capital programme will continue to be part-funded through the use of 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).
- A broader update of the capital programme and available resources will be undertaken during the autumn of 2021 as part of the budget setting process for 2021/22.

3 Recommendations

- It is recommended that the updated capital programme and funding schedule at Appendix A is approved.

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| 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) | 2021/24 Capital Programme working papers |

4 Introduction

- 4.1 The Council's 2020-24 capital programme was approved by Cabinet and Council in February 2021. The capital outturn for 2020/21 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 2020/21 and a re-assessment of resources available in the period 2021-24.
- 4.3 A broader update of the capital programme and available resources will be undertaken during the autumn of 2021 as part of the budget setting process for 2022/23.

5 Updated Capital Programme – Council Assets

- 5.1 The updated programme detailed at Appendix A is fully funded subject to the realisation of £525,000 of capital receipts by 31 March 2024.
- 5.2 The following developments have impacted significantly on the Council's capital programme ('the programme').

Condition Surveys – Fenland Hall and The Base

- 5.3 In accordance with industry best practice and the Council's Asset Management Plan, the Council commissions cyclical condition surveys of all Council-owned buildings.
- 5.4 The most recent condition surveys were undertaken by CIPFA following a competitive tender exercise. Having undertaken the condition survey, the Council is able to objectively determine the likely cost to the Council of completing works deemed necessary to ensure the Council can fulfil its obligations as a responsible employer and an owner of public buildings. In line with normal practice, works identified have been classified according to whether they need to be undertaken within the next two years ('essential works'), within the next three to five years ('desirable works'), or more than five years into the future ('long-term works').
- 5.5 Condition Survey works are split between those which constitute revenue expenditure, which can be funded from the Council's repairs and maintenance budget, and those which meet the definition of capital expenditure and therefore need to be funded from capital resources. Typically expenditure becomes capital in nature where it relates to the replacement of a component within the building, i.e. electrical infrastructure, heating and air conditioning system, etc or constitutes works which can reasonably be expected to extend the useful life of the building or enhance its service potential.
- 5.6 Within many of the Council's buildings the works identified in the conditions survey can be funded through appropriate use of the annual budget allowance for repairs and maintenance as they are revenue in nature. However, there are significant capital works required at Fenland Hall and the Base.
- 5.7 Officers have met the relevant portfolio holders to discuss the condition surveys in detail. In those discussions it has been acknowledged that the Council's accommodation needs continue to evolve. Recent experience of home working during the pandemic has demonstrated that the Council is able to effectively deliver services to residents with a significant reduction in the number of staff based permanently at Fenland Hall and The Base. This evidence provides an opportunity for the Council to determine and distil whether it will need to retain Fenland Hall and the Base in their current form in the medium to long-term. However, since many of the essential works identified by CIPFA have health and safety implications, the Council needs to commit resources to ensure that it can safely operate from the accommodation it requires to function effectively as a local authority.

- 5.8 The cost of the essential works is reflected in updates to expected capital expenditure in the 2021/22 and 2022/23 financial year. Should the Council decide to reduce its footprint in the short-term, the associated cost of the works might reduce although this cannot be reliably quantified prior to going out to tender. The cost of 'desirable works' is not yet reflected in the programme as this will depend on the extent to which the Council plans to utilise Fenland Hall and The Base in the medium to long-term. It is important to recognise that some of the work currently deemed to be 'desirable' will become 'essential' over the life of the current programme.

Leisure Centres – Condition Survey Works

- 5.9 The Council entered into a fifteen-year agreement with Freedom Leisure with effect from December 2018. Prior to entering into that agreement, the Council undertook a condition survey of its four leisure centres. The condition survey has formed the basis for works included in the programme in recent years. The split between the condition survey works the Council would be responsible for and those where responsibility would sit with Freedom was reflected in the Council's contract with Freedom. One of the more significant Council-funded projects reflected in the condition survey relates to works required to the roof at the leisure centres in Wisbech, Whittlesey and March.
- 5.10 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.
- 5.11 Further resources will need to be allocated to enable the essential works on the roofs at Manor Leisure Centre and George Campbell to be undertaken in 2022/23. The Council has engaged CIPFA to undertake a condition survey at all four leisure centres. These surveys will update those surveys undertaken previously in connection with the tender exercise which resulted in the appointment of Freedom. It is anticipated that the outcome of these surveys, including the likely cost of the roofing works, will be available to inform the initial programme for the period 2022/23 to 2026/27 which Cabinet will consider at its meeting in December 2021.

Structural Works – Port of Wisbech

- 5.12 The Council undertook a detailed survey of an area of quayside at the Crab Marsh quay which was known to have deteriorated. The survey identified the need for urgent concrete repairs and the replacement of expansion joints. These works commenced in the 2020/21 financial year and have continued in the early part of the 2021/22 financial year. Specialist equipment is required to undertake these works. This means a significant proportion of the overall costs relates to mobilisation. Once on site it became apparent to the contractor that since the survey had been completed further deterioration had occurred which meant there were additional sections of concrete in need of urgent repair. An updated specification was agreed with the contractor to enable these works to be undertaken whilst on site. Whilst these essential works have now been completed, it has been necessary to update the programme to ensure there is sufficient budget remaining to complete the remaining scheduled works. This comprises the replacement of expansion joints and the installation of port lighting in this financial year.

Commercial and Investment Strategy Schemes

- 5.13 From February 2020 the capital programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial

and Investment Strategy. Members will be aware that the Investment Board approved the first purchase of an Investment Property in March 2021. The original £25m allocation has been reduced to reflect this acquisition and the remaining balance has been profiled over the life of the programme.

6 Updated Capital Programme – Grant-Funded Schemes

Wisbech High Street

- 6.1 At its previous meeting Cabinet considered reports relating to proposed works at No. 24 High Street in Wisbech. The programme has been updated to reflect the decisions taken at the meeting on 1 July 2021. Consequently, the Council's best estimate of the cost of works to be undertaken No. 24 High Street is included in the updated programme. These works will be funded from a combination of grant-funding and Council borrowing. The proportion which is funded from grant reflects the original amount allocated to the property when the grant funding for the overall Wisbech High Street project was first awarded. Whilst officers hope that the National Heritage Lottery Fund will provide some additional funds due to small underspends on other properties within the project, this cannot be confirmed until the Council submits its application based on the updated design. Similarly, the cost of completing the works is subject to the outcome of the tendering process. Therefore, at the present time, delivery of the scheme is subject to a contribution from the Council in excess of £1 Million.
- 6.2 The cost of works at 11-12 High Street are not reflected in this report. This reflects the fact that the project is being completed at no cost to Fenland District Council as the grant available to the Developer has been capped at £1 Million.

Disabled Facilities Grants

- 6.3 The updated programme reflects the Council's 2021/22 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. The Covid 19 emergency has further exacerbated this issue.

Growing Fenland

- 6.4 Working with the Town Teams, officer and members have developed a range of initiatives to utilise the £1M allocated to each of the four market towns in the District as part of the Growing Fenland initiative funded by the Cambridgeshire and Peterborough Combined Authority ('CPCA'). Members will be aware from previous reports that a significant component of this programme is the £900,000 of funding which forms part of the match-funding that was required to secure delivery of the Future High Streets project in March. Alongside supporting a range of investments being taken forward by town councils, the CPCA has also approved funding to facilitate the implementation of civil parking enforcement across the four market towns and a capital grants scheme. Both schemes are incorporated into the updated programme.

'Binrastructure' – Additional Litter Bins

- 6.5 Earlier this year the Council was advised it had been successful in securing £25k of grant funding from WRAP to install additional bins in locations prone to littering across the District. This scheme is reflected in the updated programme.

7. Financing the Capital Programme

- 7.1 Cabinet and Council approved the use of borrowing (both internal and prudential) to fund the capital programme totalling £30.156m over a four-year period ending on 31 March 2024. The capital outturn included on the agenda for today's meeting indicates that £0.554m of the capital programme delivered in 2020/21 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. Whilst rates of return on short-term investments are currently low, there is an opportunity cost associated with the use of reserves to fund the programme which is particularly significant given the financial uncertainties arising from the Covid 19 pandemic and the Council's ambitions to take forward its commercial and investment strategy.

APPENDIX A

CAPITAL PROGRAMME AND FUNDING 2020 - 2024

| | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|-----------------|
| Capital Programme (excluding Commercial and Investment Strategy Schemes) | 21,447 | 8,515 | 1,635 |
| Commercial and Investment Strategy Schemes | 6,302 | 10,000 | 5,000 |

CURRENT FORECAST EXPENDITURE

| | | |
|---------------|---------------|--------------|
| 27,749 | 18,515 | 6,635 |
|---------------|---------------|--------------|

FORECAST RESOURCES AVAILABLE

| | | | |
|---------------------------------------|--------|--------|-------|
| Capital Grants | 16,327 | 5,911 | 950 |
| Usable Capital Receipts - In Year | 265 | 100 | 100 |
| Reserves used in year to fund Capital | 563 | 100 | 0 |
| Section 106s and Other Contributions | 159 | 12 | 0 |
| Borrowing (Internal and Prudential) | 10,435 | 12,392 | 5,585 |

Total Forecast Resources

| | | |
|---------------|---------------|--------------|
| 27,749 | 18,515 | 6,635 |
|---------------|---------------|--------------|

CAPITAL PROGRAMME SUMMARY 2021/22 - 2023/24

| | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total Cost £000 | FDC Funding £000 | External Funding £000 | External Funders and FDC Reserves/S106 |
|---|-----------------|-----------------|-----------------|-----------------------|------------------------|-----------------------------|---|
| Leisure Centres | | | | | | | |
| 1 Condition Survey Improvements | 517 | 254 | 75 | 846 | 846 | | £98k R&M Reserve |
| Regeneration Programmes | | | | | | | |
| 2 Fenland Renaissance and Place Shaping | 16 | | | 16 | 16 | | |
| 3 Heritage Lottery Fund - Non-FDC Properties | 514 | | | 514 | 81 | 433 | £433k HLF Grant. |
| 4 Heritage Lottery Fund - 24 High Street, Wisbech | 400 | 950 | | 1,350 | 1,112 | 238 | £238k HLF Grant. |
| 5 Railway Station Master-Planning | 4,396 | | | 4,396 | 82 | 4,314 | £4,314k CPCA Grant, £82k S106 |
| 6 Whittlesey Flood Warning Signs | 46 | | | 46 | | 46 | CPCA Grant £46k |
| 7 Future High Street Fund, March | 3,954 | 4493 | | 8,447 | | 8,447 | £2,000k CPCA, £6,447k MHCLG Future High Streets |
| 8 Growing Fenland - Capital Grants | 320 | | | 320 | | 320 | £320k CPCA Grant |
| Cemeteries | | | | | | | |
| 9 Manea Churchyard | 15 | | | 15 | 15 | | |
| 10 Remedial Works in Closed Cemeteries | 53 | 25 | | 78 | 78 | | |
| Highways | | | | | | | |
| 11 Category 2 Street Lights - FDC Lights | 105 | | | 105 | 105 | | |
| 12 Street Name Plates/District Facilities Signage | 28 | | | 28 | 28 | | |
| Street Light Improvements - Parishes (Contribution to Cat 2 | | | | | | | |
| 13 Replacements) | 11 | | | 11 | 11 | | £11k Capital Contribution Reserve |
| 14 Growing Fenland - Civil Parking Enforcement | 100 | 300 | | 400 | | 400 | £400k CPCA Grant |
| 15 Huntingdon Road Improvements, Chatteris | 35 | | | 35 | 35 | | |
| Office Accommodation | | | | | | | |
| 16 Fenland Hall and The Base - Repairs and Renewals | 700 | 880 | 100 | 1,680 | 1,680 | | |
| Environment | | | | | | | |
| 17 Replacement and Grant-Funded Additional Litter Bins | 108 | | | 108 | 83 | 25 | £25k WRAP Grant |
| Port | | | | | | | |
| 18 Boat/Vessels - Replacement Deck, Hull and Engines | 42 | | | 42 | 42 | | |
| 19 Wisbech Port Structural Works | 328 | | | 328 | 328 | | |
| Sub Total | 11,688 | 6,902 | 175 | 18,765 | 4,542 | 14,223 | |

| | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total Cost £000 | FDC Funding £000 | External Funding £000 | External Funders and FDC Reserves/S106 |
|---|-----------------|-----------------|-----------------|-----------------------|------------------------|-----------------------------|---|
| Brought Forward | 11,688 | 6,902 | 175 | 18,765 | 4,542 | 14,223 | |
| Parks and Open Spaces | | | | | | | |
| 20 West End Park, March - Park Improvements | 35 | | | 35 | 6 | 29 | £27k Cambs CC, £2k March TC |
| 21 Parks, Play Areas and Open Space - Chatteris | 60 | 40 | | 100 | 100 | | £6k S106 money |
| 22 Parks, Play Areas and Open Space - Doddington | 45 | | | 45 | 45 | | £21k S106 money |
| 23 Parks, Play Areas and Open Space - Parson Drove | 30 | | | 30 | 30 | | £30k S106 money |
| 24 Parks, Play Areas and Open Space - Wisbech | 20 | 20 | | 40 | 40 | | £32k S106 money |
| Vehicles and Plant | | | | | | | |
| 25 Vehicles | 337 | 141 | 260 | 738 | 738 | | |
| ICT System Replacement Programme & Upgrades | | | | | | | |
| 26 Replacement & Upgrade Programme | 494 | 250 | 100 | 844 | 844 | | £554k Management of Change Reserve |
| Improvement of Assets | | | | | | | |
| 27 Sewage Treatment Works Refurbishment | 537 | 200 | 150 | 887 | 887 | | |
| 28 Birch Fen Silt Removal and Outfall Maintenance | 25 | | | 25 | 25 | | |
| 29 March Moorings Renewals | 12 | 12 | | 24 | 24 | | |
| 30 Hostel Roof Renewal | 38 | | | 38 | 38 | | |
| 31 Lattersley Nature Reserve - Capping Layer | 40 | | | 40 | 40 | | |
| 32 Energy Efficiency Improvements to Clarion Properties | 4,492 | | | 4,492 | | 4,492 | £4492k BEIS Decarbonisation Fund Grant |
| Economic Estates | | | | | | | |
| 33 Replacement of AV Equipment at Business Centres | 50 | | | 50 | 50 | | |
| 34 South Fens Business Park Expansion | 1,996 | | | 1,996 | 1,000 | 996 | £996k 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 | 1,308 | 910 | 910 | 3,128 | | 3,128 | £3128k Govt Grant |
| Total - Approved Programme | 21,447 | 8,515 | 1,635 | 31,597 | 8,409 | 23,188 | |