

# Westmorland and Furness Council

<b>Report Title:</b>	Capital Programme Update Report
<b>Meeting:</b>	Council
<b>Meeting Date:</b>	23 November 2023
<b>Report Author:</b>	Pam Duke, Director of Resources & S151 Officer
<b>Lead Cabinet Member(s):</b>	Cllr Andrew Jarvis, Cabinet Member for Finance
<b>Wards Affected?</b>	All
<b>PUBLIC, PART EXEMPT OR FULLY EXEMPT</b>	N/A
<b>List of Appendices (if any)</b>	1. Capital Programme 2023-2028 2. Capital Programme Changes 2023-2028

## 1. Executive Summary

- 1.1 This report sets out the updates to the Capital Programme during Quarter 1 (April to June 2023) and the forecast year-end position. Certain updates are delegated to Cabinet through the constitution, and those are reflected in this report in addition to those requiring Council approval for completeness.
- 1.2 The Westmorland and Furness Shadow Authority Council set the Capital Programme 2023-2028 in March 2023. It brought together the financial plans of the sovereign District and Borough Councils (Eden, South Lakeland, and Barrow) and the disaggregated Cumbria County Council financial plans and presented them as the first Westmorland and Furness Capital Programme.
- 1.3 For 2023-2028 the Capital Programme schemes that are directly delivered by the Council are projected as £290.081m; the capital accountable body schemes are projected as £14.317m; and the total Capital Programme 2023-2028 is projected as £304.398m at Quarter 1.
- 1.4 The recommendations in this report were approved for consideration by Council, at the Cabinet meeting held on the 17 October 2023.

## 2. Recommendations

For the reasons set out in this report, it is recommended that Council:

- 2.1 Approve Capital Programme grant funding changes and updates from Q1 that total £5.108m:
  1. £10.800m Extension of Green Homes Grant; grant funded
  2. £3.056m Additional Pothole Funding; grant funded
  3. £0.060m Affordable Homes project; use of section 106 funding

4. £2.201m Town Deal Learning Quarter; grant funded
  5. (£8.765m) Duplicate Town Deal projects; Barrow BC and Cumbria CC
  6. (£1.160m) Windermere Ferry; removed as it is a pending project
  7. £1.604m Highways & Transport Basic Need Schemes; grant funded
  8. (£1.752m) Strategic Highways & Transport; grant funded
  9. (£0.936m) Cumbria Coastal Community; grant funded
- 2.2 Approve Capital Programme virements within 2023/24 at Q1; £7.565m moves from the schemes noted 1 to 4, to the schemes notes 5 to 8:
1. Virement from Additional Inflation Risk Allowance (£1.080m)
  2. Virement from Additional Inflation Risk Allowance (£3.200m)
  3. Virement from Levelling Up Fund Accessibility (£2.185m)
  4. Virement from Coastal Communities Fund (£1.100m)
  5. Virement to Inclusion Strategy £1.080m
  6. Virement to Single Site Voreda House £3.200m
  7. Virement to Levelling Up Fund Barrow Market & Public Realm £2.185m
  8. Virement to Grange Lido & Promenade £1.100m
- 2.3 Approve the addition of new schemes to the Capital Programme at £7.581m:
1. Solar Farm Programme £2.781m
  2. Affordable Housing £4.800m
- 2.4 Approve the reprofiling of the Capital Programme from 2023/24 to future years as detailed in Table 9 within the report:
1. Reprofile (£43.974m) from 2023/24
  2. Reprofile £21.286m to 2024/25
  3. Reprofile £18.192m to 2025/26
  4. Reprofile £2.879 to 2026/27
  5. Reprofile £1.617m to 2027/28
- 2.5 Note the projected 2023-2028 Capital Programme as £304.398m at Quarter 1, consisting of directly delivered schemes at £290.081m, and accountable body schemes at £14.317m.

### **3. Information: the Rationale & Evidence for the Recommendations**

- 3.1 The Westmorland and Furness Shadow Authority Council set the 2023/24 Capital Programme 2023-2028 in March 2023. It brought together the Capital Programmes of the sovereign District and Borough Councils (Eden, South Lakeland, and Barrow) and the disaggregated Cumbria County Council Capital Programme and presented them as the first Westmorland and Furness Capital Programme.
- 3.2 The approved Capital Programme, an aggregation of the forecasted profiles from each of the legacy authorities as of Quarter 2 2022/23, was confirmed as £251.849m for schemes to be directly delivered, plus £0.936m for accountable body schemes, totalling £252.785m.

- 3.3 The recommendations set out in this report were presented to Cabinet at the meeting held on the 17 October 2023. The recommendations were approved for consideration by Council in accordance with the Constitution.
- 3.4 The next sections of this report set out the updates for schemes that are directly delivered followed by the accountable body schemes and goes on to identify those updates agreed by Cabinet in accordance with the Constitution, and those updates for Council to approve.
- 3.5 There are a significant number of updates as this report deals with the outturn position, changes in Quarter 1 (Q1), new schemes, and reprofiling.

#### Schemes Directly Delivered

- 3.6 The Capital Programme 2023-2028 for schemes directly delivered begins at £251.849m. Slippage from 2022/23 (from legacy authorities) net of accelerated spend, has been identified as £31.814m.
- 3.7 The net of changes during Q1 in grant funding and updates, increased the Programme by £3.843m:
1. £10.800m Extension of Green Homes Grant; grant funded
  2. £3.056m Additional Pothole Funding; grant funded
  3. £0.060m Affordable Homes project; use of S106 funding
  4. £1.604m Highways & Transport Basic Need Schemes; grant funded
  5. *£15.520m added in total*
  
  6. (£8.765m) Duplicate Town Deal projects; Barrow BC & Cumbria CC
  7. (£1.160m) Windermere Ferry; removed as it is a pending project
  8. (£1.752m) Strategic Highways & Transport; grant funded
  9. *(£11.677m) removed in total*
- 3.8 The Town Deal Learning Quarter scheme has been moved from direct delivery (£9.014m) into accountable body schemes £9.014m.
- 3.9 New schemes have been added during Quarter 1; the schemes to be directly delivered total £11.589m:
1. £2.781m Solar Farm Programme  
This scheme is to construct and operate a solar farm at Sandscale Park, Barrow-in-Furness and includes Council funding from capital receipts and prudential borrowing as reported to Cabinet on the 12 September 2023.
  2. £1.338m UK Shared Prosperity Fund  
This scheme captures the Council delivered schemes funded by this grant as reported to Cabinet on the 24 April 2023.
  3. £2.670m Beaconside School Extension  
This scheme proposes the use of Section 106 developer funding to extend Beaconside CE Primary School and provide additional mainstream school

places in the Penrith area as well as create some additional specialist places within a resourced provision.

#### 4. £4.800m Affordable Housing

This scheme holds the funding to be allocated for affordable housing projects; the grant policy will be presented to Cabinet in December 2023 for approval.

3.10 At this point the Programme 2023-2028 forecast totals £290.081m as shown in Table 1.

**Table 1 – Schemes directly delivered before reprofiling**

	<b>Direct Delivery £m</b>
Original forecast from March 2023	251.849
Slippage net of acceleration	31.814
Grant funding and updates	3.843
Classification amendment	(9.014)
New schemes	11.589
<b>Total</b>	<b>290.081</b>

3.11 There have been a number of in-year virements for 2023/24 which are a gross £8.428m moved from schemes/headings to others; these do not change the annual total and are detailed within paragraph 3.26.

3.12 The Capital Programme Delivery Team reviewed the schemes of £3m or more, to estimate the potential Capital Programme that could be delivered in 2023/24 which identified £45.619m of reprofiling as shown in Table 2.

**Table 2 – Schemes directly delivered after reprofiling**

	<b>Before Reprofiling £m</b>	<b>Reprofiling £m</b>	<b>After Reprofiling £m</b>
To be spent in 2023/24	130.976	(45.619)	85.357
To be spent in 2024/25	73.230	22.880	96.110
To be spent in 2025/26	36.954	18.212	55.166
To be spent in 2026/27	25.123	2.899	28.022
To be spent in 2027/28	23.798	1.628	25.426
<b>Total</b>	<b>290.081</b>	<b>0.000</b>	<b>290.081</b>

3.13 The Capital Programme 2023-2028 for directly delivered schemes, is therefore forecast as £290.081 with £85.357m currently identified for 2023/24.

#### Accountable Body Schemes

3.14 The Capital Programme 2023-2028 for accountable body schemes begins at £0.936m. Slippage from 2022/23 (from legacy authorities) has been identified as £0.655m.

- 3.15 During Q1 £0.936m was removed as the Cumbria Coastal Community scheme is no longer active, and £2.201m was added against the Town Deal Learning Quarter scheme.
- 3.16 The Town Deal Learning Quarter scheme has been moved from direct delivery (£9.014m) into accountable body schemes £9.014m.
- 3.17 The UK Shared Prosperity Fund (grant funded) has been added as a new scheme during Quarter 1 at £2.447m.
- 3.18 At this point the Programme 2023-2028 forecast totals £14.317m as shown in Table 3.

**Table 3 – Accountable body schemes before reprofiling**

	<b>Accountable Body £m</b>
Original forecast from March 2023	0.936
Slippage	0.655
Grant funding and updates	1.265
Classification amendment	9.014
New schemes	2.447
<b>Total</b>	<b>14.317</b>

- 3.19 The Capital Programme Delivery Team reviewed the schemes of £3.000m or more, to estimate the potential Capital Programme that could be delivered in 2023/24 which identified £1.869m of reprofiling as shown in Table 4.

**Table 4 – Accountable body schemes after reprofiling**

	<b>Before Reprofiling £m</b>	<b>Reprofiling £m</b>	<b>After Reprofiling £m</b>
To be spent in 2023/24	6.759	(1.869)	4.890
To be spent in 2024/25	7.416	1.869	9.285
To be spent in 2025/26	0.142	0.000	0.142
<b>Total</b>	<b>14.317</b>	<b>0.000</b>	<b>14.317</b>

- 3.20 The Capital Programme 2023-2028 for accountable body schemes, is therefore forecast as £14.317m with £4.890m currently identified for 2023/24.

#### Total Capital Programme

- 3.21 At Q1 the total Capital Programme forecast has increased to £304.398m, with 2023/24 totalling £90.247m as shown in Table 5 and in details at **Appendix 1**; the scheme changes are detailed at **Appendix 2**.

**Table 5 – Capital Programme 2023-2028**

<b>Financial Year</b>	<b>Direct Delivery £m</b>	<b>Accountable Body £m</b>	<b>Total Programme £m</b>
2023/24	85.357	4.890	90.247
2024/25	96.110	9.285	105.395
2025/26	55.166	0.142	55.308
2026/27	28.022	0.000	28.022
2027/28	25.426	0.000	25.426
<b>Total</b>	<b>290.081</b>	<b>14.317</b>	<b>304.398</b>

3.22 The total of the changes from the Medium Term Financial Plan to Q1 are shown in Table 6.

**Table 6 – Capital Programme 2023-2028 – all changes**

	<b>Direct Delivery £m</b>	<b>Accountable Body £m</b>	<b>Total</b>
Original forecast from March 2023	251.849	0.936	252.785
Slippage net of acceleration	31.814	0.655	32.469
Grant funding and updates	3.843	1.265	5.108
Classification amendment	(9.014)	9.014	0.000
Virements between projects	0.000	0.000	0.000
New schemes	11.589	2.447	14.036
Reprofiling between years	0.000	0.000	0.000
<b>Total</b>	<b>290.081</b>	<b>14.317</b>	<b>304.398</b>

### Approvals

3.23 The Constitution provides that changes to existing schemes up to £0.250m are delegated to Chief Officers in consultation with the Chief Finance Officer, changes to existing schemes up to £0.500m are delegated to Cabinet, and changes above £0.500m remain with Council. New schemes must be approved by Council apart from those where no Council funding is included.

3.24 As the Q1 report contain a significant number of changes, everything under £0.500m and new schemes where no Council funding is included, were all presented to Cabinet for approval. The rationale behind this was simply to enable the full flow of changes to be presented from the Medium Term Financial Plan to the Q1 position; a unique position for 2023/24.

3.25 The next sections of this report set out the Cabinet and Council approvals for the schemes; the Council approvals are contained in the recommendations. The approvals are split between the type of change requiring approval; grant funding and updates in Q1, virements, new schemes, and reprofiling. The

### Grant Funding and Changes in Q1

3.26 The grant funding and updates from Q1 total £5.108m; £3.843m in schemes directly delivered and £1.265m in accountable body schemes.

3.27 All of these changes are presented to Council as they were not specified as recommendations in the Q1 Cabinet report:

1. £10.800m Extension of Green Homes Grant; grant funded
2. £3.056m Additional Pothole Funding; grant funded
3. £0.060m Affordable Homes project; use of section 106 funding
4. £2.201m Town Deal Learning Quarter; grant funded
5. (£8.765m) Duplicate Town Deal projects; Barrow BC and Cumbria CC
6. (£1.160m) Windermere Ferry; removed as it is a pending project
7. £1.604m Highways & Transport Basic Need Schemes; grant funded
8. (£1.752m) Strategic Highways & Transport; grant funded
9. (£0.936m) Cumbria Coastal Community; grant funded
10. Total net increase in the Capital Programme £5.108m

3.28 The virements between schemes in 2023/24 are shown in the following tables; the items approved by Cabinet are identified separately to those items requiring Council approval as they are over £0.500m. The net result of virements is a zero impact on the overall Programme as shown in Table 6 and Table 7.

**Table 6 - Virements approved by Cabinet**

<b>Scheme</b>	<b>Virement From £m</b>	<b>Virement To £m</b>
<b>Virements Quarter 1</b>		
Strategic Highways Match Funding	(0.179)	
Major Projects Match Funding		0.179
Windermere Road Grange - Flood Alleviation	(0.150)	
Lead Local Flood Authority		0.150
Town Deal - Rawlinson Street Phase 2	(0.101)	
Town Deal - Housing Market Renewal		0.101
Disabled Facilities Grants (legacy)	(0.433)	
Disabled Facilities Grants (new)		0.433
<b>Virements approved by Cabinet</b>	<b>(0.863)</b>	<b>0.863</b>

**Table 7 - Virements for Council approval**

<b>Scheme</b>	<b>Virement From £m</b>	<b>Virement To £m</b>
<b>Virements Quarter 1</b>		
Additional Inflation Risk allowance	(1.080)	
Inclusion Strategy		1.080
Additional Inflation Risk allowance	(3.200)	
Single Site - Voreda House		3.200
Levelling Up Fund - Accessibility (Duke Street)	(2.185)	
Levelling Up Fund - Barrow Market & Public Realm		2.185
Coastal Communities Fund	(1.100)	
Grange Lido and Promenade		1.100
<b>Virements for Council approval</b>	<b>(7.565)</b>	<b>7.565</b>

3.29 The new schemes added to the Programme total £14.036m and are shown below, with the schemes approved by Cabinet identified separately to those items requiring Council approval as they are either over £0.500m or are not entirely funded from external sources:

1. New schemes approved by Cabinet:
  - £3.785m UK Shared Prosperity Fund (grant funded and split £1.338m against directly delivered schemes and £2.447m against accountable body schemes)
  - £2.670m Beaconside School Extension (use of section 106 funding)
2. New schemes to be approved by Council:
  - £2.781m Solar Farm Programme (includes Council funding)
  - £4.800m Affordable Housing (use of Council funding)

3.30 The reprofiling across the Programme is shown in Table 8 and Table 9; the items approved by Cabinet are identified separately to those items requiring Council approval as they are over £0.500m:

**Table 8 - Reprofiling approved by Cabinet**

<b>Reprofile to future years: Q1</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>
Residential Provision for Children & Young People	(0.150)	0.150	0.000	0.000	0.000
Basic Need Schemes	(0.385)	0.385	0.000	0.000	0.000
SEND Fleet Vehicles	(0.213)	0.213	0.000	0.000	0.000
Devolved Formula Capital 18/19	(0.013)	0.013	0.000	0.000	0.000
Devolved Formula Capital 19/20	(0.008)	0.008	0.000	0.000	0.000
Devolved Formula Capital 20/21	(0.094)	0.094	0.000	0.000	0.000
Devolved Formula Capital 21/22	(0.156)	0.156	0.000	0.000	0.000
Devolved Formula Capital 22/23	(0.181)	0.181	0.000	0.000	0.000
Highways Fleet Replacement	(0.145)	0.145	0.000	0.000	0.000
Strategic Acquisition and Investment Fund	(0.500)	0.500	0.000	0.000	0.000
Penrith Town Hall Redevelopment	(0.125)	0.125	0.000	0.000	0.000
Capital Grant to Patterdale Community Land Trust for Affordable Social Housing	(0.389)	0.389	0.000	0.000	0.000
Changing Spaces	(0.030)	0.030	0.000	0.000	0.000
DfT funded Flood Recovery Scheme - Challenge Fund	(0.400)	0.400	0.000	0.000	0.000



<b>Reprofile to future years: Q1</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>
Barrow Town Deal - Cycling and Walking	(0.035)	0.035	0.000	0.000	0.000
Live Labs Project	(0.071)	0.020	0.020	0.020	0.011
Windermere Ferry - upgrade and slipway	(0.494)	0.494	0.000	0.000	0.000
Windermere Ferry replacement	(0.125)	0.125	0.000	0.000	0.000
<b>Reprofiling approved by Cabinet</b>	<b>(3.514)</b>	<b>3.463</b>	<b>0.020</b>	<b>0.020</b>	<b>0.011</b>

**Table 9 - Reprofiling for Council approval**

<b>Reprofile to future years: Q1</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>
Extra Care Housing / Accommodation with Care & Support - available for new schemes	(0.773)	(0.242)	0.508	0.507	0.000
Care Services	(1.350)	0.635	0.715	0.000	0.000
High Needs Provision	(1.373)	0.700	0.673	0.000	0.000
Inclusion Strategy	(5.558)	5.558	0.000	0.000	0.000
Devolved Formula Capital 22/23 - energy efficiency	(0.990)	0.330	0.330	0.330	0.000
ICT Investment/Additional ICT Investment	(2.000)	0.000	2.000	0.000	0.000
Major Projects Match Funding	(0.984)	0.224	0.335	0.425	0.000
Modernising the Estate	(0.849)	0.213	0.212	0.212	0.212
Additional Inflation Risk allowance	(1.815)	(2.199)	4.014	0.000	0.000
Vehicle & Plant Programme (incl. bins and boxes)	(2.912)	(0.829)	0.931	1.405	1.405
Grange Lido and Promenade	(1.694)	1.694	0.000	0.000	0.000
Levelling Up Fund - Barrow Market & Public Realm	(8.618)	5.315	3.303	0.000	0.000
New Ulverston Leisure Centre - Phase 1	(1.500)	0.500	1.000	0.000	0.000
Active Travel Fund Barrow	(3.970)	2.188	1.782	0.000	0.000
DfT funded Flood Recovery Scheme	(1.248)	1.248	0.000	0.000	0.000
Land/Port/Waste Statutory Standards	(0.836)	0.836	0.000	0.000	0.000
Town Deal - Housing Market Renewal	(2.778)	1.389	1.389	0.000	0.000
Town Deal - Marina Village	(0.724)	0.724	0.000	0.000	0.000

<b>Reprofile to future years: Q1</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>
Brownfield Land Release - Marina Village	(1.214)	1.214	0.000	0.000	0.000
A592/A684 Road Safety Foundation Schemes	(0.900)	0.900	0.000	0.000	0.000
Barrow Community Hubs	(0.019)	(0.981)	1.000	0.000	0.000
Town Deal – Learning Quarter	(1.869)	1.869	0.000	0.000	0.000
<b>Reprofiling for Council approval</b>	<b>(43.974)</b>	<b>21.286</b>	<b>18.192</b>	<b>2.879</b>	<b>1.617</b>

### Pending Schemes

3.31 The Shadow Authority in March 2023 also included a list of ‘Pending Schemes’ within the first Westmorland and Furness Capital Programme 2023-2028, schemes that met the Council Plan Priorities to be included in the Capital Programme at a future point subject to an approved business case.

3.32 The ‘Pending Schemes’ are listed below with an update as of Q1 2023/24:

#### 1. Decarbonisation of the Estate

The Resources Directorate is developing 12 workstreams across a range of areas to progress the decarbonisation of the estate through the development of programmes of work including Carbon Management Strategy Scope 1,2 & 3 development, LED light replacement, heat electrification, and fleet decarbonisation. All programmes will require a business case and be subject to Cabinet and Full Council approval for funding.

#### 2. Solar Farms

The development of the Sandscales Solar Farm, Barrow-in-Furness, is identified for commencement in Q3 with Cabinet Approval obtained for the award of construction contract and funding agreed in September 2023, Full Council approval is proposed as part of the Q1 Monitoring Report.

#### 3. Fleet replacement including Waste

Fleet procurement is currently underway to support short-term demands for vehicles to support key services with spend now forecast for 2024/25. In addition to this work, a new Fleet Strategy will be commissioned in Q4 2023/24 incorporating a Council wide Fleet Renewal Programme to identify procurement activity and budget planning for fleet replacement including the activity to ensure the correct facilities and infrastructure are secured to maintain the fleet, and transition to a Net Zero fleet in line with Council priorities.

#### 4. Windermere Ferry replacement

The Strategic Highways Board has requested a review of the current proposal to replace the current Windermere Ferry with a new electric ferry,

therefore officers will be commissioning a full review of all ferry options going forward. Consequently, there is likely to be minimal spend in this budget this year, and until the end of 2024/25, depending on which option is chosen.

5. Affordable Housing Investment Fund

The Thriving Communities Directorate (Housing) is processing and determining grant applications from the legacy authorities. The Housing Team are developing a new policy to satisfy key governance and grant application design for roll out of the Affordable Housing Investment Fund in 2024/25. The programme will be launched late Q4 2023/24 or early Q1 2024/25. The legacy South Lakeland District Council Affordable Housing investment is funded from ring-fenced capital receipts; 1 April 2023 balance £4.800m.

6. Ulverston Leisure Centre – Phases 2–3

The Thriving Communities Directorate (Community Infrastructure) is currently undertaking a review of the existing sports & leisure provision in Ulverston and the surrounding areas, to assess what is suitable for meeting local community needs. This needs to consider alignment with broader strategic outcomes, particularly health and explore how the Council can transition from a traditional leisure service into an active wellbeing service for all. This will inform the design and enhancements to Ulverston Leisure Centre. A needs assessment, along with updated scheme designs are expected by Q4 2023/24, following engagement and consultation with partners. Once completed the updated business case will be reported to Cabinet for approval.

7. Tarn House redevelopment

Tarn House has plans drawn up for modernisation. A further review of learning disability services which is being undertaken on a tripartite basis covering Care Services, Adult Social Care, and commissioning will identify what the current and future demand for services is; following the outcome of the service will be able to determine the best use for Tarn House going forwards.

8. SEND – Pupil Referral Unit's Replacement Programme

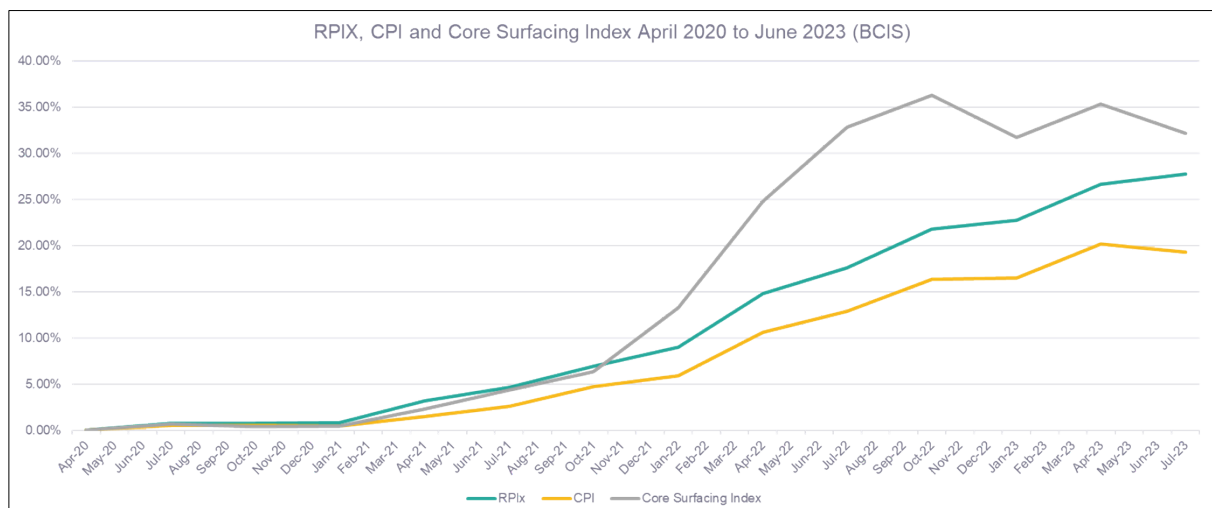
Following a recent tender exercise '1st Planner' has initiated a programme of work to support the Council to develop a SEND/AP (alternative provision) Commissioning Strategy, alongside a wider whole school estate sufficiency strategy. The indicative findings from phase 1 of this work will be available by the end of December 2023 and will inform future direction and taking forward concrete proposals during 2024 that will form Phase 2 of the exercise.

### Project Assurance

3.64 The Capital Programme has also been subject to a Project Assurance Review in line with good practice and supporting the approach of the Infrastructure and

Projects Authority (Cabinet Office) for public sector infrastructure and projects/programmes of work.

- 3.65 All Projects/Programmes in excess of >£3.000m undertook a ‘health check’ to establish current and anticipated performance against cost, quality and time by senior members of the Capital Programme Delivery team. The outcome of the review has been incorporated within Q1 monitoring 2023/24 and where necessary steps have been taken to ensure any actions have been addressed in specific scheme governance e.g., allocation of £1.080m from the Additional Inflationary Allowance Fund to Sandgate School at Queen Katherine School to address inflationary pressures. Adjustments are subject to approval by Cabinet or Council as appropriate.
- 3.66 It should be noted that the delivery of Capital Projects and Programmes has seen unprecedented challenges and head winds contributing to sustained volatility for 24-36 months. Several factors, principally external, have introduced increased risk and uncertainty relating to deliverability.
- 3.67 Inflationary pressures associated with the costs of materials and services continues to represent the greatest challenge as evidenced in the following graph.



\*Inflation Tracker (Index growth) 2020-2023

- 3.68 Costs have risen between 15% and 32% in 3½ years. Although, inflation appears to be reducing significantly following intervention by the Bank of England through interest rate adjustments, projects that were incepted in the period 2020–2022 (the vast majority within the programme) will be impacted by up to 30% cost increases against the original forecast cost. Increased interest rates also pose a challenge for sectors who will need to take investment decisions against short-medium term forecast macro-economic conditions.
- 3.68 The above economic conditions and challenges to the capital programme are compounded by a lack of suitably qualified resources within the broader employment market. The Council’s supply chain has reported and demonstrated real shortages in both skilled and unskilled workforce, with recruitment and retention challenges having an impact on the availability and capability to support the development and delivery of the Capital Programme.

This is not unique to the supply chain and is now being experienced across broader support sectors within Local Government and the Council’s Capital Programme delivery team. This may result in delays to scheme development and delivery while appropriate recruitment and a programme of upskilling is undertaken.

3.69 The factors outlined above are under review monthly via the Council’s Capital Delivery Group, the Assistant Director – Corporate Assets, Fleet and Capital Programme and reported to the Corporate Management Team via the Capital Programme BRAG Report. Cabinet and Council are appraised through quarterly monitoring.

### Summary

3.70 As part of the overall governance for financial reporting, the Capital Programme 2023-2028 has undertaken a significant review by the team to identify reprofiling requirements, virements, inclusions etc. Forecast spend for 2023-2024 is £90.247m. The total Capital Programme 2023-2028 including accountable body schemes has been confirmed as £304.398m as shown in Table 10 and attached in detail at **Appendix 1**.

**Table 10 – Capital Programme 2023-2028: by directorate**

<b>Directorate</b>	<b>Forecast Capital Programme for 2023-2028 at Q1 £m</b>
Adult Social Care	14.644
Children’s Services	34.725
Enabler Services	9.601
Resources	39.020
Thriving Communities	63.037
Thriving Places	129.054
<b>Total for directly delivered schemes</b>	<b>290.081</b>
Accountable body schemes	14.317
<b>Total</b>	<b>304.398</b>

3.71 Notwithstanding the significant work undertaken by the Capital Programme Team and Finance to comprehensively review and update the Capital Programme, it should be noted that the volatility and challenges within the programme inherently require a degree of sensitivity in appraising the likely outturn at the end of the financial year. This is a challenging year for delivery and so there is continued risk (circa £20m-£30m) of slippage into future years within the 2023/24 capital programme.

#### **4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)**

4.1 This report supports the priorities of the Council Plan, as effective management of financial resources is a pre-requisite for making informed decisions when planning and delivering Council services.

## **5. Consultation Outcomes**

5.1 Not applicable.

## **6. Alternative Options Considered**

6.1 There are no alternative options proposed.

## **7. Financial Implications and risk**

7.1 The financial implications and risk have been set out within the body of this report.

## **8. Legal and Governance Implications**

8.1 The Council agreed its Budget and Policy Framework in February 2023, this report provides an update on the Councils revenue expenditure and capital programme. In the event that the Council seeks to make additions to the Budget and/or amendments by virement or reprofiling then Rules 2.19 and 2.20 of the Finance Procedure Rules sets out the rules on virements.

8.2 Sums up to and including £250,000 (revenue or capital) may be vired upon the approval of the relevant Chief Officer in consultation with the Chief Finance Officer. Sums over £250,000 and up to and including £500,000 (revenue or capital) may be vired upon the approval of Cabinet on the recommendation of the relevant Chief Officer and advice of the Chief Finance Officer.

8.3 For sums over (more than) £500,000 (revenue or capital) the approval of the Council is required upon recommendation of the Cabinet.

8.4 Rules 2.30 and 2.31 of the Finance Procedure Rules provide further rules on Capital Schemes. Rule 2.30 provides for Capital Schemes that the Chief Finance Officer must be consulted where significant variances to the Capital Programme are in prospect. Should the Chief Officer be unable to accommodate variations in expenditure within the approved Capital Programme, sums up to and including £250,000 may be vired between schemes upon approval of the relevant Chief Officer in consultation with the Chief Finance Officer.

8.5 Virements between schemes over £250,000 and up to and including £500,000 will require approval of Cabinet and virements over £0.500m require the approval of Council, all are subject to appropriate resources being available.

8.6 Rule 2.31 provides that where there is a requirement for reprofiling between financial years (including accelerated spend or slippage) this will be reported to Cabinet as part of the quarterly monitoring reporting and approved by Cabinet where it is up to and including £0.500m and will require the approval of Council if it is over £0.500m

8.7 For new schemes a decision is required by Full Council unless the scheme is funded by external sources such as grants and contributions.

- 8.8 Expenditure other than within those rules, as is the case with all proposals relating to the discharge of an executive function concerning the Authority's budget, borrowing or capital expenditure that is contrary to, or not wholly in accordance with the Authority's Budget not otherwise authorised by the Council's Constitution, will require the approval of full Council before it may take place.
- 8.9 Within the Constitution, Contract Procedure Rule (CPR) 6.37 provides that decisions over £5m require approval by Cabinet except for a number of specific exceptions as set out in CPR 6.37 as follows:

*“Authorisation to Award a Contract*

*6.37 The Persons and bodies authorised to award Contracts are set out in the table below.*

<b>Total Contract Value</b>	<b>Decision Maker</b>
<i>£0 - £500,000</i>	<i>Corporate Director</i>
<i>£500,001 - £5,000,000</i>	<i>Corporate Director in consultation with the relevant Cabinet Member (written record to be kept)</i>
<i>£5,000,001 and above</i>	<i>Cabinet except as provided below</i>
<i>Call offs of any value from an approved Framework Agreement</i>	<i>Corporate Director</i>
<i>Contracts the budget for which has been wholly included in the Capital Programme</i>	<i>Corporate Director</i>
<i>Utilities Contracts</i>	<i>Corporate Director</i>
<i>Award of contracts procured from an Approved List</i>	<i>Corporate Director</i>

- 8.10 The contracts for those Capital Programme projects should be awarded in accordance with CPR 6.37. Provided that the budget for the contract has been wholly included in the Capital Programme, the decision-maker in respect of contract award is the relevant Corporate Director (or those authorised by the Corporate Director in accordance with the Local Scheme of Authorisation). The Corporate Director in those circumstances will prepare the relevant Officer Delegated Decision Report/Officer Key Decision Report and ensure that the relevant entry is placed on the Forward Plan for the specific project where the matter is a Key Decision. This is as per CPR 6.37.
- 8.11 In respect of the proposed grant funding and updates from Q1 detailed in the report at paragraph 3.27, decisions to allocate and award funding will be executive decisions and a relevant entry is to be placed on the Forward Plan where the matter is a Key Decision.

## **9. Human Resources Implications**

9.1 There are no implications arising from this report.

**10. Equality and Diversity Implications (including the public sector equality duty, Armed Forces Families, Care Leavers and Health inequalities implications)**

10.1 There are no implications arising from this report.

**11. Background Documents**

11.1 None.