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**Executive**

**18 August 2022**

Report of the Chief Finance Officer

Portfolio of the Executive Member for Finance and Major Projects

## **Capital Programme – Monitor 1 2022/23**

### **Summary**

- 1 The purpose of this report is to set out the projected outturn position for 2022/23 including any under/over spends and adjustments, along with requests to re-profile budgets to/from current and future years.
- 2 The 2022/23 capital programme approved by Council on 7 February 2022 and updated for amendments reported to Executive in the 2021/22 outturn report resulted in an approved capital budget of £187.279m.

### Impact of price risk on the capital programme

- 3 Issues with material cost and delivery timescales for a number of commodities used by the Council have been highlighted over recent months. These have related to a combination of the impact of Covid, Brexit and global demand. There have also been significant increases in the price of oil and gas which manifest both in the cost of petrol and diesel but also in the cost of utility bills. The war in Ukraine has added further pressure on these costs of fuel but is now also leading to supply difficulties for certain materials and food stuffs.
- 4 The Council therefore needs to be aware of potential delays and cost increases in capital projects as well as the increased budgetary pressures within day to day service delivery. It is too early to quantify the exact implications of inflationary and demand pressures on the delivery of the capital programme. However, it is clear that should this situation continue for any length of time it will put real pressure on the Capital Programme. Where information is available, it has been included in the report. Officers are closely monitoring price risk on capital schemes and will continue to monitor the situation and report back to Executives later in the year

## Recommendations

5 Executive is asked to:

- Recommend to Full Council the adjustments resulting in an increase in the 2022/23 budget of £6.592m as detailed in the report and contained in Annex A.
- Note the 2022/23 revised budget of £192.750m as set out in paragraph 6 and Table 1.
- Note the restated capital programme for 2022/23 – 2026/27 as set Reason: to enable the effective management and monitoring of the Council’s capital programme.

## Consultation

6 The capital programme was developed under the capital budget process and agreed by Council on 7 February 2022. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

## Summary of Key Issues

- 7 An increase of £6.592m is detailed in this monitor resulting in a revised capital programme for 2022/23 of £192.750m. There is an increase of £7.651m and a re-profiling of budgets to future years totalling £1.059m. This is due to some new schemes being added to the programme under the umbrella of the Housing Asset Management plan, and an increase of £5.4m to expand and improve facilities for pupils with SEND as detailed in paragraph 10.
- 8 Table 1 outlines the variances reported against each portfolio area and a summary of the key exceptions and implications on the capital programme are highlighted in the paragraphs that follow.

Department	Current Approved Budget £m	Projected Outturn £m	Adjustment £m	Reprofile £m	Total Variance £m	Paragraph Ref
Children’s services	24.715	30.986	6.271	-	6.271	9 - 12

Adult Social Care	1.166	1.166	-	-	-	-
Housing & Community Safety	63.430	62.727	<b>5.407</b>	<b>(6.110)</b>	<b>(0.703)</b>	13 – 21
Transport, Highways & Environment	75.938	76.821	<b>0.883</b>	-	<b>0.883</b>	22 – 23
Property Services	11.277	11.880	<b>0.603</b>	-	<b>0.603</b>	-
Community Stadium	0.777	0.777	-	-	-	-
FM & Buildings	0.948	-	<b>(0.948)</b>	-	<b>(0.948)</b>	-
ICT	2.722	4.097	-	<b>1.375</b>	<b>1.375</b>	24 - 25
Customer & Corporate Services	1.669	2.014	<b>0.345</b>	-	<b>0.345</b>	
Communities & Culture	2.382	2.382	-	-	-	26 - 27
Climate Change	1.134	0.700	-	<b>(0.434)</b>	<b>(0.434)</b>	-
<b>Total</b>	186.158	<b>193.550</b>	<b>6.290</b>	<b>1.102</b>	<b>7.392</b>	

**Table 1 Capital Programme Forecast Outturn 2022/23**

## **Analysis**

### **Children, Education & Communities**

- 9 The total approved budget within the Children’s Services and Education Capital Programme for 2021/22 is £24.712m. At this point in the financial year the only updates are a small number of funding changes. A fuller progress report will be provided at Monitor 2 when work carried out over the summer holiday period in schools will be reported.
- 10 The most significant update to report is the additional funding the LA has been allocated towards SEND provision in the city. Firstly there has been the success of the Council’s bid to the Department for Education (DfE) requesting additional capital resources to support the delivery of the Dedicated Schools Grant (DSG) Safety Valve Agreement. The results of the bid process were announced in mid-June and York has been awarded an additional grant of £3m (the full amount requested) to support capital works to assist in the delivery of sufficient and appropriate places for children and young people with SEND both in special and mainstream schools.
- 11 In addition, the DfE also announced additional allocations of SEND grant to all LAs. York has been allocated amounts of £2.478m in 2022/23 and

£2.740m in 2023/24. The total of these three amounts including the additional Safety Valve funding represents an additional grant resource of approximately £8.2m to go towards the expansion and improvement of provision for children and young people with SEND. The directorate is now considering the most appropriate use of this funding to support the SEND sufficiency plan and the delivery of the Inclusion Review. Reports for approval of significant SEND projects will be brought forward for approval as soon as possible.

- 12 The assumption in the Capital programme for 2022/23 for Condition and Maintenance funding from the DfE was an amount of £0.7m. However, the April 2022 announcement allocated an amount of £1.493m to the LA. As a result, an additional £0.793m of grant funding needs adding into the programme. At present, it is possible that this additional amount may be required to assist with cost pressures impacting on currently approved schemes. If not, this additional funding will be available for urgent or emergency works that may emerge. The remaining balance will then be added to the budget available to fund the 2023/24 programme which is currently being developed

### **Housing & Community Safety**

- 13 Amendments to this area of the capital programme have resulted in a net decrease of £1.5m in 2022/23
- 14 The major repairs and modernisation of council homes capital programme budget for 22/23 has been reprofiled from £9.9m to £8.7m to reflect the increased volume and cost of work that was completed in 21/22. There has been a review of the 2022/23 programme taking into account expenditure incurred in 2021/22 as well as procurement financial limits requiring some work programmes to be reprocured. For example on the Standing Water Programme, whilst there is sufficient contract provision and budget to allow the completion of the remaining works in progress, a new contract is required before any further homes will be completed.
- 15 As with all construction lead programmes, inflationary pressures relating to the cost of materials, fuel and labour are impacting the volumes of works that can be delivered within budgets
- 16 July Executive have approved 2 new schemes under the umbrella of the Housing Asset Management plan, which will require further Executive sign off and full Council approval. The schemes are to deliver improvements to existing housing stock being major modernisation and energy efficiency

works at Bell Farm and refurbishment works at Glen Lodge of 32 units including new pipe works, kitchens and bathrooms. The estimated costs of the schemes total £4.61m and are proposed to be funded from capital receipts. The budget will be added to the programme once formal approval is provided

- 17 The LA Homes Phase 2 budget is for the acquisition and development of properties that are not part of the 8 sites of the Housing Delivery Project. Budget of £2m to be re-profiled into future years based on the current programme
- 18 Following approval of the construction budget in March 2022, the construction contracts for both Duncombe Barracks and Burnholme have been entered into with Caddick Construction. Duncombe Barracks will start on site first, in mid-July 2022 to commence a programme of enabling works before substructures start in late 2022. Burnholme will commence in November 2022. Resident events to inform local people of the construction programme and introduce the contractor have been undertaken at Duncombe and are planned for later in the year at Burnholme
- 19 Lowfield Green continues to make significant progress with 88 of the homes now complete and occupied. The remaining 52 homes and associated infrastructure work will be complete by the end of the financial year. Whilst delays were suffered earlier in the contract due to covid and labour and material shortages, progress is now good and in line with the current programme. The costs associated with these delays are being negotiated with the contractor and will be reported through monitoring once an agreement has been reached. The 6 self build homes are all expected to complete by late 2022 with the Community Build due to start on site in late 2022.
- 20 Energy Efficiency works on 44 council homes are nearing completion which have been improved through the installation of solar PV panels utilising CYC and LAD2 funding. Loft insulation has also been provided for all properties where this was beneficial. These works will reduce residents fuel bills, improve the thermal performance of the homes, and reduce carbon emissions.
- 21 A contractor has now been procured to deliver fabric improvements to 28 council homes which will improve the thermal performance of these homes, with part funding being received from the Social Housing Decarbonisation fund Wave 1

## **Transport, Highways & Environment**

- 22 Amendments to this area of the capital programme have resulted in a net increase of £883m in 2022/23.
- 23 Within the Haxby Station scheme additional grant funding of £1.1m has been awarded by DfT to support the development of the Haxby Station

## **Customer & Corporate Services - IT**

- 24 The capital budget for ICT is £2,602k in 2022/23. At Monitor 1 the forecast is that all this budget will be spent and up to £1,495k will need to be brought forward from 23/24.
- 25 The main area of spend is on the refresh in infrastructure technology as part of the new Managed Service contract with North. Key elements that are being replaced or developed are:
- The Council Wifi
  - The Wide area Network edge equipment
  - The integration of Mitel Telephony with Microsoft Teams

Other schemes that are on target to be delivered in 22/23 are:

- Continued roll out of Microsoft 365 and associated back up technology
- Replacement of Infrastructure cyber security systems
- Replacement of the Electronic Data and Records Management System
- The annual laptop refresh programme

## **Communities & Culture**

- 26 The Climate Change schemes budget is £1134k in 22/23. Slippage of £434k is reported at Monitor 1. This is based on the current commitments for 22/23 and allows for further reprofiling of the budget into future years following the appointment of Forestry England to deliver the York Community Woodland

27 The Future Library Investment Programme (FLIP) is on track with the first of the three capital projects now in its construction phase to create a new Gateway library for Haxby & Wigginton. The cost for the first phase has been higher due to inflationary pressures but this has been managed within the overall FLIP budget, using part of the £0.5m contingency. The second phase, Clifton Library Learning Centre is currently at the planning permission stage, with tendering in autumn 2022. There is an obvious cost inflation risk to the overall programme that has been seen at phase 1 and unless market conditions change will provide additional cost pressure for phase 2 and 3

## Summary

28 As a result of the changes highlighted above the revised 5 year capital programme is summarised in Table 2.

<b>Gross Capital Programme</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children's services	30.986	8.960	0.920	0.920	0.920	<b>42.706</b>
Adult Social Care	1.166	0.750	0.682	0.705	0.728	<b>4.031</b>
Housing & Community Safety	61.927	46.959	39.006	32.154	13.044	<b>193.090</b>
Transport, Highways & Environment	76.821	61.864	49.811	14.479	13.474	<b>216.449</b>
Property Services	11.880	38.749	0.250	0.250	0.250	<b>51.379</b>
Community Stadium	0.777	-	-	-	-	<b>0.777</b>
ICT	4.097	1.445	2.820	3.170	2.820	<b>14.352</b>
Customer & Corporate Services	2.014	0.200	0.200	0.200	0.200	<b>2.814</b>
Communities & Culture	2.382	4.700	0.726	-	-	<b>7.808</b>
Climate Change	0.700	0.834	0.250	0.250	-	<b>2.034</b>
<b>Revised Programme</b>	<b>192.750</b>	<b>164.461</b>	<b>94.665</b>	<b>52.128</b>	<b>31.436</b>	<b>535.440</b>

**Table 2 Revised 5 Year Capital Programme  
Funding the 2022/23 – 2026/27 Capital Programme**

29 The revised 2022/23 capital programme of £540.365 m is funded from £195.913m of external funding and £344.437m of internal funding. Table 3 shows the projected call on resources going forward.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Gross Capital Programme</b>	<b>192.750</b>	<b>164.461</b>	<b>94.665</b>	<b>52.128</b>	<b>31.436</b>	<b>535.440</b>
Funded by:						

External Funding	80.165	61.729	37.204	10.025	6.790	<b>195.913</b>
Council Controlled Resources	112.585	102.732	57.461	42.103	24.646	<b>339.527</b>
<b>Total Funding</b>	<b>192.750</b>	<b>164.461</b>	<b>94.665</b>	<b>52.128</b>	<b>31.436</b>	<b>535.440</b>

**Table 3 – 2022/23 –2026/27 Capital Programme Financing**

- 30 The Council controlled figure is comprised of a number of resources that the Council has ultimate control over. These include Right to Buy receipts, revenue contributions, supported (government awarded) borrowing, prudential (Council funded) borrowing, reserves (including Venture Fund) and capital receipts
- 31 In financing the overall capital programme the Chief Finance Officer will use the optimum mix of funding sources available to achieve the best financial position for the Council. Therefore an option for any new capital receipts would be to use these to replace assumed borrowing, thereby reducing the Councils' borrowing levels and associated revenue costs.

### **Council Plan**

- 32 The information contained in this report demonstrates progress in achieving the priorities set out in the Council Plan.

### **Implications**

- 33 This report has the following implications:
- **Financial** - are contained throughout the main body of the report
  - **Human Resources (HR)** – There are no HR implications as a result of this report
  - **One Planet Council/ Equalities** – The capital programme seeks to address key equalities issues that affect the Council and the public. Schemes that address equalities include the Disabilities Support Grant, the Schools Access Initiative, the Community Equipment Loans Store (CELS) and the Disabilities Discrimination Act (DDA) Access Improvements. All individual schemes will be subject to Equalities Impact Assessments
  - **Legal Implications** - Whilst this report itself does not have any legal implications, the schemes within the capital programme will themselves will be in receipt of legal advice where necessary
  - **Crime and Disorder** - There are no crime and disorder implications as a result of this report.
  - **Information Technology** – The information technology implications are contained within the main body of the report,



- **Property** - The property implications of this paper are included in the main body of the report which covers the funding of the capital programme from capital receipts.
- **Other** – There are no other implications

## Risk Management

34 There are a number of risks inherent in the delivery of a large scale capital programme. To mitigate against these risks the capital programme is regularly monitored as part of the corporate monitoring process, and the project management framework. This is supplemented by internal and external audit reviews of major projects.

## Contact Details

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	<b>Report Approved</b>	√	<b>Date</b> 4 August 2022
<b>Wards Affected:</b> All			
For further information please contact the author of the report			

<b>Specialist Implications:</b>
Legal – Not Applicable
Property – Not Applicable
Information Technology – Not Applicable

## Annexes

Annex A – Capital Programme 2022/23 to 2026/27