

NOT FOR PUBLICATION

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
(applies to Appendices A and C)

Report to: **Executive**

Date: **21 September 23**

Title: **Review of Capital Programme (Capital Programme Monitoring) and Review of Earmarked Reserves**

Portfolio Area: **Finance – Cllr Brazil**

Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Clare Scotton** Role: **Principal Accountant**
Pauline Henstock **Head of Finance Practice**

Contact: clare.scotton@swdevon.gov.uk 01803 861559
pauline.henstock@swdevon.gov.uk 01803 861377

RECOMMENDATION

It is RECOMMENDED that the Executive RESOLVES to RECOMMEND to Council to:-

- 1) withdraw three capital projects from the current Capital Programme, being Whitestrand replacement of toilets and showers (£659,993), the currently unallocated residual housing capital budget (£85,157) and the Contingency Capital Budget (£268,184). This would free up capital resources of £1.013m which is potentially available for future corporate priorities and can be re-purposed;**
- 2) withdraw Shadycombe car park and Sherford Commercial Land Acquisition from the Capital Programme and to note that this would not free up any capital resources;**
- 3) continue to progress all other capital projects, in line with the existing capital projects within the overall Capital Programme.**

4) note the content of the Capital Programme Monitoring Report in Appendix B which shows the current expenditure on capital projects between April 2023 and July 2023 of £1.400m, being 13% of the profiled budget for 2023/24 (the first four months of the financial year); and

5) approve the outcome of the review of revenue reserves, releasing revenue reserves of up to £1.541m which is potentially available to support the delivery of the emerging Corporate Strategy.

1. Executive summary

1.1 This report advises Members of the progress on individual schemes within the approved capital programme, including an assessment of their budgets and financial position. In addition, initial consideration has been given to how schemes may align with the emerging corporate priorities.

Review of the Capital Programme

1.2 The conclusion from the review of the Capital Programme is that it is recommended to withdraw all three capital schemes (being Whitestrand replacement of toilets and showers (£659,993), the currently unallocated residual housing capital budget (£85,157) and the contingency capital budget (£268,184)). This would free up **£1,013,334** of capital funding which could be re-deployed. (Appendix A)

Review of Revenue Reserves

1.3 The review of revenue reserves has identified up to **£1.541** million of revenue reserves which is potentially available to support the delivery of the emerging corporate strategy. (Appendix B)

Capital Budget monitoring for 2023/24 (spend at Month 4)

1.4 The monitoring of the capital programme at month 4 (end of July 23) has shown that all projects (with the exception of the waste fleet replacement capital budget) are within their existing budget approved by Members. £11,135,323 has been profiled into 2023/24 with the remaining budgets rolled forward into future years. The spend against this profiled budget is £1,400,503 (13% of the profiled budget) as at the end of July 2023. (Appendix C)

1.5 For the waste fleet replacement capital budget, a budget of £2.16million was approved by Council in April 2023. The final purchase cost of these vehicles is expected to exceed the budget by £100,000 (which equates to less than 5% of the original approved budget).

2. Conclusion of Review of the Capital Programme and Revenue Reserves

Capital Programme Review

- 2.1 The capital programme has been reviewed and analysed against the following criteria and with regard to the emerging priorities set out within the new Council:

Colour Code	Criteria	Total Amount
	Projects in progress and nearing completion - Recommend to continue with these projects. The largest projects in this category are £2.261m for the purchase of 7 properties using the Local Authority Housing Fund (LAHF) grant funding and £1.730m for St Ann's Housing scheme.	£4,932,393
	Projects not yet started but either recently approved or still considered to be in line with emerging corporate priorities - Recommend to continue with these projects. The largest project in this category is the solar panel installation on the leisure centres.	£1,030,390
	Capital projects which remain consistent with emerging corporate priorities through ringfenced Government Grant Funding. This grant funding is ring-fenced for these specific projects. This category consists of the Private Sector Renewal grants (Disabled Facilities Grants) totalling £1.521m and the UK Shared Prosperity Fund (UKSPF) for £858k.	£2,379,794
	Capital projects needed to maintain the Council's assets and essential service delivery. The largest project in this category is £374k for Coastal Assets to help support and develop significant pipeline projects.	£1,222,918
	Waste and recycling service - Implementation of full kerbside sort. This includes £2.16m for the Waste Fleet vehicle replacements.	£2,756,440
	Housing enabling funding (seed funding) - It is envisaged that members will want to review these projects whilst developing the new corporate strategy. The largest scheme in this category at present is for	£296,084

Colour Code	Criteria	Total Amount
	Rural Affordable Housing and Existing Stock.	
	This category relates to the Langage Business Park project which has not yet started and has been in the capital programme for a long time. However it is a capital project being delivered by a third party and the timescale for delivery is not within the Council's control.	£1,200,000
	Plymouth and South Devon Freeport capital projects – Capital projects within the Freeport. This is made up of approved Council borrowing of £5.5million, plus match funding by Government seed funding (Government grant) of a further £4.625m.	£10,125,000
	Projects not yet started - Recommended to cease - Ceasing these projects does not free up any capital funding as they were due to be financed by borrowing. The projects in this category are Shadycombe Car Park and Sherford Commercial Land Acquisition. Further detail in paragraph 2.4.	£2,020,000
	<i>Capital projects that have not yet started and would free up capital resources if a decision was made not to proceed with them. There are three projects within this category. Further detail is in paragraphs 2.2 and 2.3.</i>	£1,013,334
	TOTAL	£26,976,353

- 2.2 The conclusion from the review of the Capital Programme is that it is recommended to withdraw three capital schemes (being Whitestrand replacement of Harbour Office, toilets and showers (£659,993), the currently unallocated residual housing capital budget (£85,157) and the contingency capital budget (£268,184)). ***This would free up £1,013,334 of capital funding which is potentially available to support the delivery of the emerging corporate strategy and this funding can be re-purposed.***

- 2.3 The reason for recommending that Whitestrand is withdrawn from the capital programme is that it is no longer required as a result of the new Harbour Office being built at Batson and recent upgrade to toilet facilities on Whitestrand. In addition to this, the residual housing budget of £85,157 and the Capital Programme Contingency budget of £268,184 are currently uncommitted.
- 2.4 It is also recommended to remove Shadycombe car park and Sherford land acquisition for this programme. The land acquisition is no longer available and the Shadycombe scheme is historical and unfunded. The removal of these two schemes will not free up any capital funding for the Council as they were originally budgeted to either be funded from external borrowing from the Public Works Loan Board or from future business rates income.

Revenue Reserves Review

- 2.5 The revenue earmarked reserves have been reviewed and analysed against the following criteria:

Colour Code	Criteria	Total Amount
	Earmarked Reserves which are essential for operational core service delivery (for example programmed renewal and replacement of plant and equipment). The largest reserve in this category is the New Homes Bonus at £976k.	£4,996,000
	Earmarked Reserves which are being used to fund the Waste and Recycling service. £1.552m for the Business Retention Service is the largest balance in this category.	£3,035,000
	Earmarked Reserves which are being used to fund new corporate initiatives and corporate priorities. The largest reserve in this category stands at £332k for the Emergency Climate Change Projects.	£908,000
	Earmarked Reserves which is Government Grant funding being used for the purposes of the grant determination letter. Revenue Grants (Government Grant Funding) is the largest reserve in this category with a balance of £1.524m.	£2,762,000

Colour Code	Criteria	Total Amount
	Notional Earmarked Reserves which are held for a technical accounting purpose for the Collection Fund (this is not funding available to the Council to spend). This is the S31 Compensation Grant.	£1,194,000
	Earmarked Reserves which are held for Salcombe Harbour (Decisions on these reserves must be taken by the Salcombe Harbour Board).	£988,000
	<i>Uncommitted Revenue Earmarked Reserves and available for Members to decide how to allocate these funds for future priorities. There are five reserves within this category. Further information is in paragraph 2.6 below</i>	£1,541,000
	TOTAL	£15,424,000

- 2.6 The review of revenue reserves has identified **£1.541million** of revenue reserves that are available for Members to decide how to allocate these funds for future priorities. Recommendation 5 is to approve the outcome of the review of revenue reserves, releasing revenue reserves of up to £1.541m which is potentially available to support the delivery of the emerging corporate strategy. These reserves are as shown below:-

Reserve	Amount (£)	Background of the Reserve
Affordable Housing Revenue Reserve	£408,000	This was a new reserve set up as part of the 2022/23 Budget process and was New Homes Bonus funding that was set aside for Affordable Housing.
Financial Stability Reserve	£280,000	This is a new reserve set up in 2021/22. Council 10/02/22 approved for £280k to be transferred from unearmarked reserves to a Financial Stability Earmarked Reserve, to be available for any future financial pressures from future local government funding reforms and any other budget pressures. It is currently uncommitted funding.

Reserve	Amount (£)	Background of the Reserve
New Homes Bonus Reserve	£357,000	The remaining balance at 31.3.23 includes £235,016 unallocated from the 2020/21 New Homes Bonus and £122,274 from the 2021/22 New Homes Bonus with its future use to be decided when more details are known about the Spending Review and a replacement scheme for NHB. This New Homes Bonus funding is currently uncommitted.
Pension Fund Strain payments	£208,000	This reserve is used to fund pension strain costs. There are currently no commitments against this reserve.
Recovery and Renewal Plan	£288,000	There is £288,000 of the recovery and renewal plan earmarked reserve which is currently uncommitted.
TOTAL	£1,541,000	

3. Capital Programme Monitoring 2023- 2024 (spend to month 4)

- 3.1 The monitoring of the capital programme at month 4 (end of July 23) has shown that all projects (with the exception of the waste fleet replacement capital budget) are within their existing budget approved by Members. £11,135,323 has been profiled into 2023/24 with the remaining budgets rolled forward into future years. The spend against this profiled budget is £1,400,503 (13% of the profiled budget) as at the end of July 2023. (Appendix C)
- 3.2 For the waste fleet replacement capital budget, a budget of £2.16million was approved by Council in April 2023. The final purchase cost of these vehicles is expected to exceed the budget by £100,000 (which equates to less than 5% of the original approved budget).

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>Statutory powers are provided by the S1 Localism Act 2011 general power of competence. The capital programme is implemented in line with the Council's legal requirements, which are examined on a project-by-project basis. To date there are no undue legal concerns.</p> <p>Since there is commercially sensitive information in Appendices A and C regarding the budgets for individual capital projects, there are grounds for the publication of these appendices to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the appendices.</p> <p>Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial Implications to include reference to Value for Money		<p>The conclusion from the review of the Capital Programme is that it is recommended to withdraw all three capital schemes (being Whitestrand replacement of Harbour Office, toilets and showers (£659,993), the residual uncommitted budget for housing (£85,157) and the contingency capital budget (£268,184)). <i>This would free up £1,013,334 of capital funding which is potentially available to support the delivery of the emerging corporate strategy.</i></p> <p>Recommendation 5 is to approve the outcome of the review of revenue reserves, releasing revenue reserves of up to £1.541m which is potentially available to support the delivery of the emerging corporate strategy.</p>

		<p>The monitoring of the capital programme at month 4 (end of July 23) has shown that all projects (with the exception of the waste fleet replacement capital budget) are within their existing budget approved by Members. £11,135,323 has been profiled into 2023/24 with the remaining budgets rolled forward into future years. The spend against this profiled budget is £1,400,503 (13% of the profiled budget) as at the end of July 2023. (Appendix C)</p> <p>For the waste fleet replacement capital budget, a budget of £2.16million was approved by Council in April 2023. The final purchase cost of these vehicles is expected to exceed the budget by £100,000 (which equates to less than 5% of the original approved budget).</p> <p>The regular monitoring of the Capital Programme ensures the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p>
Risk		<p>The Council demonstrates that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment. Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.</p> <p>There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage.</p>
Supporting Corporate Strategy		<p>The Capital Programme supports all of the thematic delivery plans within the 'Better Lives for All' strategy.</p>
Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and a Climate Change Action Plan was presented to Council in December 2019.</p> <p>The Council has approved a budget of £600,000 in the Climate Change Earmarked Reserve.</p> <p>Further detail is set out in the Council's 'Better Lives for All' strategy.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		This matter is assessed as part of each specific project.
Safeguarding		This matter is assessed as part of each specific project.
Community Safety, Crime and Disorder		This matter is assessed as part of each specific project.
Health, Safety and Wellbeing		This matter is assessed as part of each specific project.
Other implications		

Supporting Information

Appendices:

Appendix A – Capital programme – **exempt**;

Appendix B – Revenue reserves as at 31 March 2023; and

Appendix C – Capital monitoring as at 31 July 2023 – **exempt**.

Background Papers:

None