

Capital Programme 2022/23 – 2026/27 Quarter 1 Update

Date: 27th July 2022

Report of: Chief Officer Financial Services

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report sets out the updated capital programme for 2022-2027, split between the General Fund and HRA, with a forecast of resources available over that period. A specific update of the 2022/23 programme is also provided. The Council continues to deliver significant capital investment across the city which will provide improved facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.

Borrowing required for 2022/23 can currently be contained within the agreed 2022/23 debt budget whilst the cost of the capital programme is projected to remain affordable within available resources identified in the Medium Term Financial Strategy.

The updated capital programme for 2022-2027 requires injections of £2,250.0k.

Recommendations

Executive Board is asked to:

- a) approve the following injections into the capital programme, as detailed at **Appendix A (iii)**:
 - £2,000.0k of European Regional Development Fund (ERDF) Grant for the 'Fitting The Future' Housing Leeds scheme;
 - £150.0k of additional Transforming Cities Fund (TCF) Grant from WYCA for the Public Bike Hire Scheme; and
 - £100.0k of DfE Grant for Sustainable Drainage at two Schools in Otley.

The above decision to inject funding of £2,250.0k will be implemented by the Chief Officer Financial Services.

- b) note the latest position on the General Fund and HRA capital programme as at quarter 1 2022/23.

What is this report about?

- 1 The purpose of the report is to provide Members with an update on the capital programme as at quarter 1, including updates on capital resources and progress on spend.

Overall Capital Programme 2022/23 – 2026/27

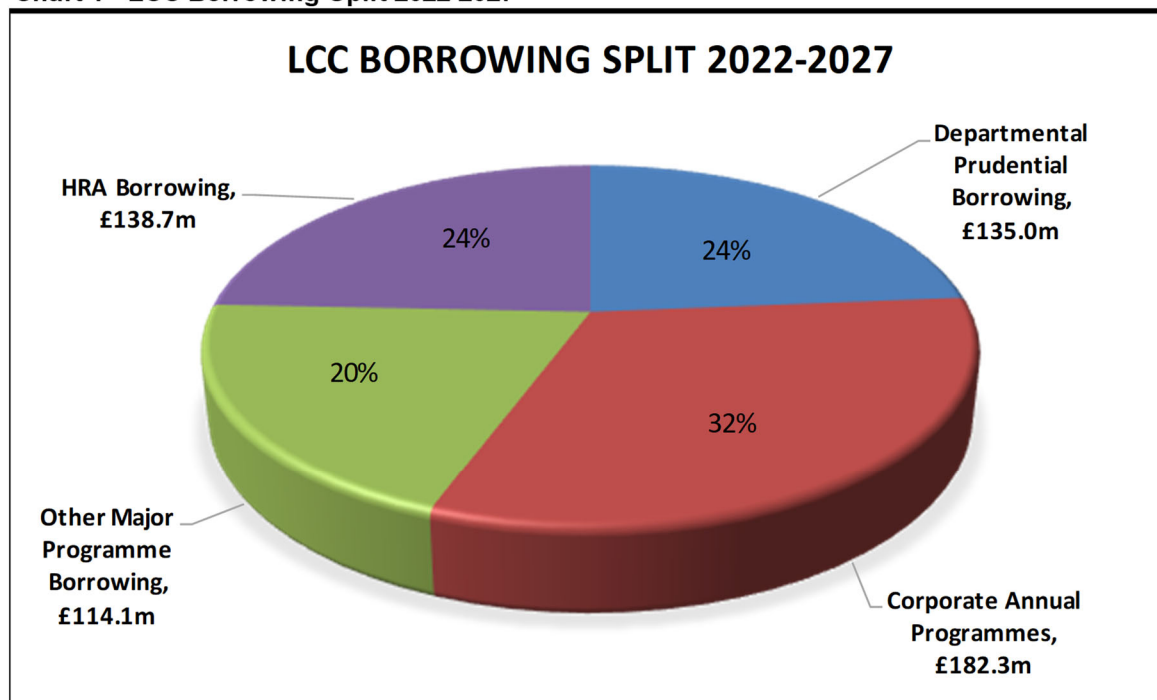
- 2 Since the approval of the Capital Programme in February 2022, the provisional 2021-22 accounts have been completed and the position reported to 22nd June 2022 Executive Board. Consequently the 2022/23 and future years capital programme has been restated. Table 1 shows the revised capital programme for 2022/23 to 2026/27 as at quarter 1.

Table 1 - Restated Capital Programme as at Quarter 1 2022/23 to 2026/27

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Forecast Expenditure	560.1	357.3	274.4	277.2	20.9	1,489.9
Funded By;						
Borrowing	234.8	126.4	90.4	98.4	20.1	570.1
Government Grants	162.4	101.1	66.0	59.2	0.0	388.7
Gen Fund Capital Receipts	14.5	11.2	8.2	8.5	0.0	42.4
Other Grants & Contributions	34.2	16.2	1.0	2.9	0.8	55.1
HRA Self Financing	62.8	67.1	75.5	76.1	0.0	281.5
HRA Right to Buy Receipts	51.4	35.3	33.3	32.1	0.0	152.1
Total Forecast Resources	560.1	357.3	274.4	277.2	20.9	1,489.9

- 3 The programme is further analysed between General Fund and HRA. The General Fund capital programme currently stands at £891.4m across the five years 2022/23 to 2026/27. It provides for investment in improved facilities and infrastructure and also has an impact on the Leeds economy through supporting jobs, income, and business throughout the city. The 4 year HRA capital programme provides for capital investment of £598.5m through to 2025/26.
- 4 The overall level of borrowing required to fund the 2022-27 capital programme is £570.1m, which has decreased marginally by £0.3m from £570.4m since the 2021/22 Outturn position was reported to Executive Board in June 2022. Borrowing of 80% or £456.0m relates to capital expenditure that is funded by additional income, generates revenue savings or ensures that our assets are maintained to an acceptable standard. The remaining 20% or £114.1m supports the Best City Ambition objectives. The split of LCC borrowing for the full programme is shown in the pie chart below.

Chart 1 - LCC Borrowing Split 2022-2027



- 5 Capital priorities were set out as part of the February 2022 budget process and the capital programme approved in February 2022 is structured to show schemes under these priorities. This is summarised in **Appendix A**, with an analysis across Annual and Major Programmes provided at **Appendix A (i)** and **Appendix A (ii)**.
- 6 **Appendix A (iii)** details the injections that this report seeks which have taken place since the restated capital programme as at 2021/22 Outturn was reported to June 2022 Executive Board. This report seeks a net injection of £2,250.0k, which relates to:
- £2,000.0k of European Regional Development Fund (ERDF) Grant for the 'Fitting The Future' Housing Leeds scheme;
 - £150.0k of additional Transforming Cities Fund (TCF) Grant from WYCA for the Public Bike Hire Scheme; and
 - £100.0k of DfE Grant for Sustainable Drainage at two Schools in Otley.

Capital Programme 2022/23 Update

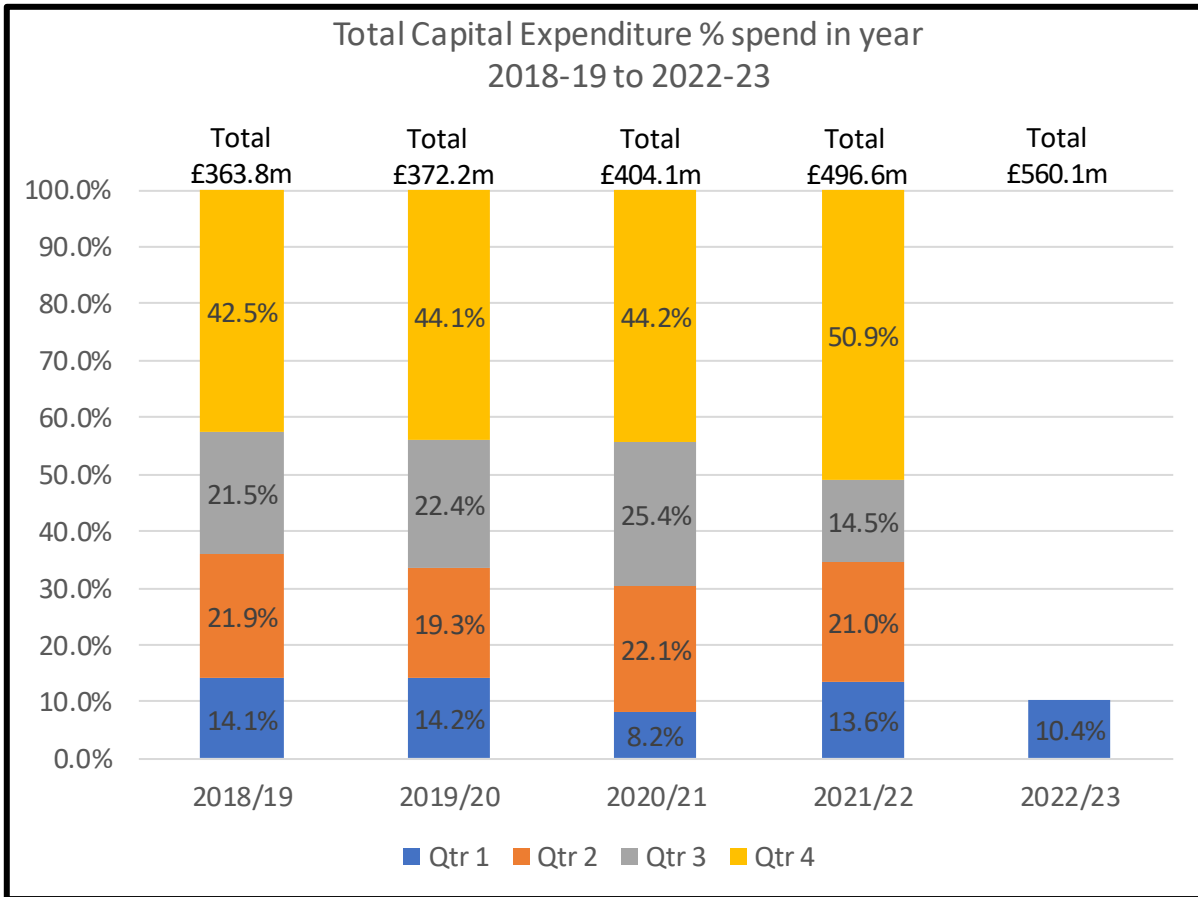
- 7 The latest capital programme resources position for General Fund and HRA in 2022/23 is shown in Table 2.

Table 2 - Capital Resources Position 2022/23

	2022/23			
	February 2022 Capital Programme £m	Restated Capital Programme as at 2021/22 Outturn £m	Capital Programme Q1 - This Report £m	Variance - This Report to 2021/22 Outturn £m
Forecast Expenditure	514.2	577.4	560.1	(17.3)
Funded By;				
Borrowing	223.9	238.5	234.8	(3.7)
Government Grants	136.0	162.6	162.4	(0.2)
Gen Fund Capital Receipts	14.4	14.5	14.5	0.0
Other Grants & Contributions	23.4	35.0	34.2	(0.8)
HRA Self Financing	73.0	78.1	62.8	(15.3)
HRA Right to Buy Receipts	43.5	48.7	51.4	2.7
Total Forecast Resources	514.2	577.4	560.1	(17.3)

- 8 Table 2 shows that since the restated capital programme reported to June EB the new position at quarter 1 has seen a decrease of £17.3m from £577.4m to £560.1m in the overall programme to be delivered in 2022/23. £12.9m of this decrease relates to a reprofile of the Housing Leeds Refurbishment Programme within the HRA.
- 9 The impact of current inflationary pressures on costs already assumed in the capital programme and on future schemes is likely to be material and to have a significant impact on what can be delivered within the existing funding envelope and/or on the borrowing required to ensure delivery of priority projects. Further, the Council faces the risks of supply chain issues, insufficient supply of materials and of contractor failure to deliver and insolvency. However, a range of mitigations and responses to manage these inflationary risks are available to the Council, dependent on the detail and stage of delivery of individual schemes and these options are being explored as part of the current review of the Authority's capital programme.
- 10 Chart 2 shows the rate of spend compared to previous years. Spend at quarter 1, having been adjusted for unmatched accruals, of £58.3m (10.4%) is low compared to 2018/19, 2019/20 and 2021/22 levels, whilst 2020/21 spend was affected by the initial Covid pandemic lockdown. The current 2022/23 programme value of £560.1m is high compared with previous years outturn positions and the rate of spend will be closely monitored to challenge the need for programme slippage.

Chart 2 - Percentage Spend Rates per Quarter



11 Members are asked to note that there are other reports with capital implications elsewhere on the agenda, including the report on the ‘Outcome of Consultation to Permanently Increase Learning Places at Leeds City Academy from September 2023’.

What impact will this proposal have?

12 The capital programme sets out a plan of capital expenditure over future years and further spending decisions are taken in accordance with capital approval processes, as projects are developed. This is when more detailed information will be available as to where in the city capital spending will be incurred, the impact on services, buildings and people and equality considerations as part of the rationale in determining specific projects from capital budgets.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing
- Inclusive Growth
- Zero Carbon

13 There are no specific implications for the council’s three Key Pillars resulting from this capital quarter 1 update. However, each of the three Key Pillars will be addressed across the capital programme and these specific implications will be covered in individual capital scheme approval reports when they come forward.

What consultation and engagement has taken place?

Wards affected: n/a

Have ward members been consulted? Yes No

14 There has been no external consultation in respect to the recommendations of this report as it is not considered appropriate. Consultation on the Council's budget proposals, including the capital programme, took place prior to the finalisation and approval of the budget in February 2022. Specific consultation will be undertaken with Ward Members when individual capital scheme approval reports come forward.

What are the resource implications?

15 The resource implications of this report are detailed in the above 'What is this report about?' section.

16 For the capital programme to be sustainable, the Chief Officer Financial Services must be satisfied that the cost of borrowing currently included in the capital programme can be contained within the approved revenue debt budget. The updated capital resources position statement set out in **Appendix A** details the borrowing required for 2022/23 which can currently be contained within the agreed 2022/23 debt budget.

17 For the HRA, the position outlined at **Appendix A** details the borrowing required for 2022/23, which will be managed within available resources.

What are the key risks and how are they being managed?

18 One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is fully funded this risk lays within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources and capital receipts and debt monitoring to ensure that this risk can be managed effectively.

19 In addition, the following measures are in place:

- ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
- quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
- provision of a central contingency within the capital programme to deal with unforeseen circumstances. Individual programmes and schemes will also contain a risk provision for unexpected circumstances;
- compliance with both financial regulations and contract procedure rules to ensure the Council's position is protected; and
- ensuring all major programmes are supported by programme boards.

20 The Chief Officer Financial Services will continue to ensure that:

- the introduction / start of new schemes will only take place after completion and approval of a full business case and identification of the required resources;
- promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic; and
- the use of departmental unsupported borrowing for spend to save schemes is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

What are the legal implications?

21 There are no legal implications arising from this report.

Options, timescales and measuring success

What is the timetable and who will be responsible for implementation?

22 The Council continues to face significant financial challenges over the next few years. Work is ongoing to address these challenges and to identify savings, which may be addressed in part through review of the Capital Programme and the impact on debt costs within the revenue budget. Further details will be provided to the September 2022 meeting of the Executive Board as part of the Medium Term Financial Strategy proposals. The timetable of future Capital Programme reports is as follows:

- November 2022 Executive Board: 'Capital Programme Quarter 2 Update'
- February 2023 Executive Board: Overall Budget Setting report including a 'Capital Programme Update'.
- June 2023 Executive Board: Overall Final Outturn report including details of the Capital Outturn position.

Appendices

- Appendix A - Capital Programme Funding Statement 2022/23 to 2026/27
- Appendix A(i) - Annual Programmes
- Appendix A(ii) - Major Programmes
- Appendix A(iii) - Net Increase in Funding Since 2021/22 Outturn

Background papers

- None.

Capital Programme Funding Statement 2022-2027

Appendix A

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000	£000
EXPENDITURE						
GENERAL FUND (GF)						
IMPROVING OUR ASSETS	135,483	91,315	53,679	68,909	0	349,386
INVESTING IN MAJOR INFRASTRUCTURE	89,788	27,719	8,877	500	454	127,338
SUPPORTING SERVICE PROVISION	61,813	44,466	34,229	27,677	19,770	187,954
INVESTING IN NEW TECHNOLOGY	15,345	6,694	5,015	4,249	0	31,302
SUPPORTING THE LEEDS ECONOMY	33,198	17,976	7,357	3,949	710	63,190
CENTRAL & OPERATIONAL EXPENDITURE	37,351	31,490	27,955	35,409	0	132,205
TOTAL ESTIMATED SPEND ON GF	372,978	219,660	137,112	140,693	20,933	891,376
HOUSING REVENUE ACCOUNT (HRA)						
IMPROVING OUR ASSETS - COUNCIL HOUSING	187,076	137,615	137,270	136,546	0	598,507
TOTAL ESTIMATED SPEND ON HRA	187,076	137,615	137,270	136,546	0	598,507
TOTAL ESTIMATED SPEND	560,054	357,275	274,382	277,239	20,933	1,489,882
RESOURCES						
GENERAL FUND (GF)						
Specific Resources						
GOVERNMENT GRANTS	151,921	101,069	65,994	59,213	65	378,263
OTHER GRANTS & CONTRIBUTIONS	25,021	9,436	1,021	2,912	779	39,168
RCCO / RESERVES	126	0	0	0	0	126
CAPITAL RECEIPTS - Transformational Change	14,507	11,169	8,219	8,454	0	42,348
Corporate Resources						
BORROWING - Corporate	146,397	87,253	54,411	56,331	710	345,102
BORROWING - Departmental	35,006	10,733	7,468	13,783	19,380	86,369
CAP. RESOURCES REQD FOR GF	372,978	219,660	137,112	140,693	20,933	891,376
HOUSING REVENUE ACCOUNT (HRA)						
Specific Resources						
HRA SELF FINANCING	62,806	67,104	75,433	76,139	0	281,481
R.T.B. CAPITAL RECEIPTS	51,425	35,319	33,293	32,099	0	152,136
GOVERNMENT GRANTS	10,398	0	0	0	0	10,398
RCCO / RESERVES	0	0	0	0	0	0
OTHER GRANTS & CONTRIBUTIONS	9,078	6,738	15	5	0	15,835
BORROWING - Departmental	53,369	28,454	28,529	28,304	0	138,656
CAP. RESOURCES REQD FOR HRA	187,076	137,615	137,270	136,546	0	598,507
TOTAL CAP. RESOURCES REQD	560,054	357,275	274,382	277,239	20,933	1,489,882
BORROWING REQUIRED TO FUND THIS PROGRAMME						
	234,772	126,440	90,408	98,419	20,089	570,127
Average Interest rate (subject to change)	2.50%	2.75%	2.75%	3.00%	3.00%	

Annual Programmes

Appendix A (i)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000	£000
Improving Our Assets						
Highways Maintenance	13,052	13,000	13,000	13,000	0	52,052
Section 278	4,882	5,760	2,432	3,500	0	16,574
Heritage Assets	9,038	4,000	0	0	0	13,038
Highways Maintenance Capitalisations	4,614	3,700	2,800	1,800	0	12,914
Corporate Property Management	7,929	1,750	1,500	1,500	0	12,679
Highways Bridges & Structures Maintenance	2,000	2,000	2,000	2,000	0	8,000
Climate Emergency	1,023	950	850	900	0	3,723
Demolition Programme	1,500	750	500	500	0	3,250
Library Books	626	450	300	200	0	1,576
Sports Maintenance	35	100	100	100	0	335
	44,698	32,460	23,482	23,500	0	124,140
Supporting Service Provision						
Adaptations - Disabled Facilities Grants	9,526	9,526	9,526	8,672	0	37,250
Telecare ASC	786	785	600	600	0	2,771
Adaptation to Private Homes	576	575	470	470	0	2,091
Childrens Centres	75	100	101	50	0	326
	10,962	10,987	10,698	9,792	0	42,438
Investing In New Technology						
Digital Development	5,823	2,500	2,500	2,500	0	13,323
Essential Services Programme	4,220	3,830	2,500	1,700	0	12,250
	10,043	6,330	5,000	4,200	0	25,573
Supporting The Leeds Economy						
Project Support Fund - Groundwork	136	70	70	140	0	416
Central & Operational Expenditure						
PFI Lifecycle Capitalisations	11,462	11,980	12,895	12,315	0	48,652
Transformational Change	8,599	8,303	8,219	8,454	0	33,575
General Capitalisations	3,900	3,300	2,700	1,026	0	10,926
Vehicle Programme	4,752	2,000	1,200	800	0	8,752
Capital Programme Management	541	541	541	541	0	2,166
Capitalisation of Interest	500	400	300	221	0	1,421
	29,755	26,524	25,855	23,357	0	105,491
Total Annual Programmes 2022-2027	95,594	76,372	65,105	60,988	0	298,058

Major Programmes & Other Directorate Schemes

Appendix A (ii)

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000	£000
Improving our assets - Council Housing						
HRA Housing Leeds & BITMO & Other	97,052	87,735	87,735	86,780	0	359,302
HRA Council Housing Growth Programme	90,024	49,880	49,535	49,766	0	239,205
Improving our assets - General Fund						
Capital Maintenance / School Condition Allocation	7,156	7,589	9,284	15,100	0	39,127
Highways Maintenance incl Pot Hole Repairs (LTP/CRSTS Grant)	9,083	8,569	8,569	8,569	0	34,790
Network/Junction Improvements	14,063	13,409	0	0	0	27,472
Parklife Programme	12,818	4,300	0	0	0	17,118
Highways Transport Package (incl LTP/CRSTS Grant)	4,986	3,620	3,620	3,620	0	15,846
Parks & Countryside Schemes	13,947	450	0	250	0	14,647
Aireborough (Ph2) and Fearnville Leisure Centres	5,097	8,274	0	0	0	13,371
Streetlighting Replacement LEDs	4,542	3,622	5,000	0	0	13,164
Strategic Investment Fund Acquisitions	0	0	0	12,616	0	12,616
Bridges and Structures (incl LTP/CRSTS Grant)	3,117	1,931	1,931	1,931	0	8,910
Devolved Formula Capital Grant	1,375	1,475	1,575	3,324	0	7,749
Assisted Living Leeds	2,759	1,400	0	0	0	4,159
Regent Street Flyover	2,919	0	0	0	0	2,919
Community Hubs Programme	2,255	0	0	0	0	2,255
Armley Gyratory	496	0	0	0	0	496
Future Ways of Working and Estate Realisation	443	0	0	0	0	443
Other smaller schemes within the objective	5,729	4,217	219	0	0	10,164
	277,860	196,470	167,467	181,955	0	823,752
Investing in Major Infrastructure						
Flood Alleviation Schemes	34,745	25,971	571	500	0	61,787
East Leeds Orbital Road (ELOR)	22,621	1,009	0	0	0	23,630
Connecting Leeds - Leeds Public Transport Investment Programme (LPTIP)	15,295	0	0	0	0	15,295
Decarbonisation Programme & Energy Efficiency	9,379	75	120	0	454	10,028
Clean Air Zone	806	0	8,159	0	0	8,965
Cycle Superhighway	3,496	44	28	0	0	3,567
UTMC Works	2,070	0	0	0	0	2,070
Other smaller schemes within the objective	1,377	620	0	0	0	1,996
	89,788	27,719	8,877	500	454	127,338
Supporting Service Provision						
Learning Places Programme / Basic Need Grant	34,104	31,455	19,045	16,467	0	101,072
Social Care & Health Fund	2,264	150	175	213	17,083	19,884
VINE Education Centre Rebuild	6,528	146	0	0	0	6,674
Private Sector Renewal - Equity Loans	2,277	50	2,356	50	0	4,733
Childrens Homes	2,851	292	219	50	0	3,411
Waste Depot	1,226	0	0	0	0	1,226
Other smaller schemes within the objective	1,602	1,387	1,737	1,105	2,687	8,518
	50,851	33,479	23,531	17,885	19,770	145,516

Major Programmes & Other Directorate Schemes

Appendix A (ii) continued

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000	£000
Investing in New Technology						
Digital Information Service - Full Fibre Network	3,293	0	0	0	0	3,293
Other smaller schemes within the objective	2,009	363	15	49	0	2,437
	5,302	363	15	49	0	5,729
Supporting the Leeds Economy						
Morley Town Fund	5,494	8,879	6,345	3,100	0	23,819
Kirkgate Market Strategy	4,664	2,900	84	0	0	7,648
Southbank Regeneration	2,993	3,500	0	0	0	6,493
T&D & THI & LOCAN	5,371	749	0	0	0	6,120
East of Otley Relief Road	3,909	1,000	0	0	0	4,909
Getting Building Fund	3,866	0	0	0	0	3,866
City Development Public Realm	839	0	0	0	0	839
Other smaller schemes within the objective	5,928	878	858	709	710	9,082
	33,062	17,906	7,287	3,809	710	62,774
Central & Operational Expenditure						
General Contingencies	1,689	2,100	2,100	12,052	0	17,941
Core Systems Review	5,908	2,866	0	0	0	8,774
Other smaller schemes within the objective	0	0	0	0	0	0
	7,597	4,966	2,100	12,052	0	26,714
Total Major Programmes & Other Directorate schemes	464,460	280,903	209,278	216,251	20,933	1,191,824
Annual Programmes - See Appendix A (i)	95,594	76,372	65,105	60,988	0	298,058
Total Annual & Major Programmes	560,054	357,275	274,382	277,239	20,933	1,489,882

Net Increase in funding since February 2022 to end of June 2022

Appendix A (iii)

	Corporate Borrowing £000	Borrowing Supported by Revenue £000	Specific Resources £000	Total Resources £000
ERDF Grant Injection re Fitting The Future scheme			2,000.0	2,000.0
Additional TCF Grant Injection re Public Bike Hire Scheme			150.0	150.0
DfE Grant Injection re Sustainable Drainage at 2 Schools in Otley			100.0	100.0
Net Injections sought as part of this report	0.0	0.0	2,250.0	2,250.0
Net Injections with approvals in place	-810.9	1,189.7	106,257.5	106,636.3
Total Net Injections in place since February 2022	-810.9	1,189.7	108,507.5	108,886.3
Slippage Movements as at 2021/22 Outturn				56,064.0
Net Increase in funding since February 2022 to end of June 2022				164,950.3