

SCRUTINY ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	INTERNAL AFFAIRS SCRUTINY COMMITTEE	20 FEBRUARY 2024	7
CAPITAL PROGRAMME MONITORING REPORT – POSITION AS AT 31st DECEMBER 2023			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update on the approved Capital Programme of the Council as at 31st December 2023.

SOURCE OF REFERRAL

The terms of reference for this committee include receiving periodic update reports in respect of the Council's revenue and capital budgets. This report is based upon information extracted from the financial ledger system of the Council for the period to 31st December 2023 and feedback and commentary received from budget holders.

FURTHER INFORMATION

The Capital Programme Monitoring report is included as Appendices to this report and is also available at the link below:

<http://www.fylde.gov.uk/council/finance/budget-monitoring/>

SUGGESTED RECOMMENDATIONS

The committee are requested to:

- Consider and scrutinise the Capital Programme Monitoring Report; and
- To note and accept the report.

REPORT

Summary

The purpose of this report is to provide an in-year progress update in respect of those schemes within the Capital Programme that have been approved for delivery in 2023/24, together with an update on the overall five year Capital Programme of the Council. This report includes a narrative description of some of the more significant schemes within the Capital Programme and details any risks and the actions required to address these. Appendix A to this report provides an update by Portfolio on schemes scheduled for commencement or delivery in 2023/24. Appendix B provides a summary of the latest position for the five year Capital Programme and Appendix C provides details of the financing of the programme.

1. Background

The Council approved the Capital Programme on 2nd March 2023. That update showed a balanced capital programme position from 2022/23 onwards. This report includes year to date expenditure and sets out the latest phasing of the programme and any additions or changes since the capital programme was presented to Council in March 2023. The Programme has also been rolled forward to include the year 2027/28.

2. Notes on Specific Schemes

There are a number of schemes for which further information is provided below:

(i) Town Centre Regeneration Kirkham

Following the Government's Future High Street funding initiative (FHSF), the Planning Committee resolved, in the autumn of 2019, to select Kirkham Town Centre as its choice to pursue any bids for funding under the scheme. The first opportunity, being part of the broader FHSF, named the High Street Heritage Action Zone initiative (HS HAZ) was launched. This was a competitive process and seeks to enhance the historic environment of high streets that have conservation area status. Following the expansion of the funding for the scheme, due to unprecedented bids from a national perspective, the Kirkham bid proved to be successful, following a recommendation to Government from Historic England (HE). HE is the body responsible for administering the scheme. The grant award was £1.8m and will be match funded from a number of sources including Fylde Council, Kirkham Town Council and Section 106 payments for public realm improvements attributed to residential planning permissions. The scheme will run over 4 years, commencing in April 2020, and includes a wide range of projects. The implementation of the scheme was initially delayed due to the impact of Covid-19 and a revised project plan, which sets out the projects to be delivered and the associated funding, has been agreed with Historic England.

A further bid for £9.1m was also submitted under the main body of the Future High Street Fund during 2020 and proposed to deliver a number of schemes across the whole of the town centre including the re-purposing of buildings, traffic management measures, building reuse and enhancement and public realm projects. This was once again a competitive process. The bid was well founded, and the economic case was very strong. In April 2021 an award of £6.29m for the Kirkham scheme was announced from the Ministry of Housing, Communities and Local Government (MHCLG) which was approved at Council on the 5th July 2021. A report was approved by Planning Committee and Council in December 2021 to authorise various property acquisitions as part of the project.

The Historic England HAZ scheme is progressing in line with the revised project plan as referenced previously. The shopfront projects supported by HAZ are now committed through the execution of grant agreements and will be defrayed by the end of 2024. A plan for expenditure on Hillside through Phase 2 works (approximately £350k) has been agreed and will be delivered by the end of March 2024. Works to the Public Realm will be substantially complete by the end of February 2024.

The works funded through Future High Street (TSB Refurbishment and Hillside Conversion) are subject to a programme extension until September 2024. The original date for programme completion was March 2024.

The Kirkham Futures Regeneration Programme, which encompasses the funding streams identified above is a complex multi-stranded programme with strict delivery timeframes. As such the Programme has been added to the Council's Strategic Risk Register in order that the identified risks can be managed.

(ii) St Annes Sea Wall

The St Annes Seawall project is now closed following approval of the Executive Committee report on the 17th October 2023. All costs associated with the detailed design are to be covered by the Environment Agency grant.

(iii) Fairhaven Lake and Gardens Heritage Lottery Scheme

In December 2018, the council was notified that it had been successful in securing the second-round capital grant from the Heritage Lottery Fund in the sum of £1.4m for the restoration of Fairhaven Lake & Gardens, with further match funding provided by Fylde Council and other external financial contributions. All capital works apart from the lake package were completed in September 2021, with the defect period and all snags due to be completed by

the end of 2023. The refurbished buildings are all now in use, with the new interpretation and activity scheme in place. The final evaluation report for the project is available on request.

The final package of works to be completed is the lake infrastructure and dredge. Design work and different methodologies to desilt the lake are ongoing. The preferred methodologies have been estimated and the costs are significantly higher than the approved capital budget. Officers are seeking additional external grant funding to deliver this remaining element of the project during 2024. Until the scheme is fully delivered there remains the possibility of additional contract costs beyond those in the approved budget.

(iv) St Annes Event Square Scheme

The St Annes Event Space project is the first project to be taken forward from the Town Centre and Island Masterplan. The budget for the scheme is £1.5m and this includes physical works, fees, preliminaries, surveys, and contingency.

The objective of the scheme is to provide a flexible events space within the western section of St Annes Road West, from the junction at Clifton Drive to Orchard Road. The road will be able to be temporarily closed during the delivery of large events. The works also include improvements to public realm items such as seating, planting, and a general softening of the highway. The works will also look at the introduction of new lighting and infrastructure required to support events delivery.

(v) UK Shared Prosperity Fund

The UKSPF programme includes 14 different projects across 3 main investment themes: these being Employment & Skills, Support for Business and Communities and Place. There is some flexibility to the Council with regards programme underspends as the government will allow underspends to be moved to different projects, however the funds still are required to be spent within year. Fylde's UKSPF Programme allocation including revenue is £2.6m to be spent across 2022/2023, 2023/2024 and 2024/2025. The capital element within the programme for 2023/24 and 2024/25 is £981k.

(vi) Better Care Fund (Formerly Disabled Facilities Grants)

As the local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. In order to fund these works the Council receives grant support which previously was provided by the Department for Communities and Local Government (DCLG). From 2015/16 the Government established the 'Better Care Fund', and under these new arrangements the funding for Disabled Facilities Grants transferred to the Department of Health, with funding being distributed to all Councils via the upper-tier authority for that area. As such, in Lancashire the fund is administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e., district councils within their area) to enable them to continue to meet this statutory responsibility.

The level of government funding has increased significantly under the 'Better Care Fund' arrangements and the budget for 2023/24 (including slippage) totals £1.638m which provides for the delivery of disabled adaptations. It is anticipated that for 2023/24 all identified need for disabled adaptations can be met from the existing resource.

(vii) Vehicle Replacement Programme

The estimated vehicle purchase profile to replace existing fleet at the end of its useful economic life from 2023/24 to 2027/28 within the Capital Programme totals £4.531m (including slippage).

It is important to note that there is currently significant upward pressure on purchase prices for replacement vehicles and technological/legislative changes and alternative fuel options are likely to increase prices further. As a result, it is necessary to reality check the costs associated with new vehicles on an annual basis and make any necessary adjustments to the capital programme to ensure that ongoing fleet replacement is accurately budgeted for in future years.

3 Conclusions

- 3.1 Actual expenditure to 31st December 2023 is £5.302m against a full year budget of £19.441m. This equates to 27.3% of the latest budget. Progress on the delivery of several schemes has been delayed due to the continuing economic recovery from the pandemic, together with supply chain challenges and higher inflation leading to a review on the original costings of capital schemes. This is noted as appropriate in the analysis at Appendix A. Consequently, the phasing of some schemes may have to be adjusted or re-phased into 2024/25 as part of the information that is provided from budget holders on a scheme-by-scheme basis, and this will be reflected in future Financial Forecast updates during the year.
- 3.2 Inflation continues to exert significant upward pressure on prices for utilities and on supplies and services across all sectors of the economy, which in turn increases the base costs for both revenue and capital budget items. The situation is particularly acute in the construction sector where supply chain issues and price increases are combining to put increased risks on the delivery of capital programme schemes. This is likely to be a continuing issue for the council throughout 2023/24 and this has resulted in current scheme delays and reviews on scheme costings.
- 3.3 Capital Receipts to date total £312k against a total in year budgeted figure of £90k, made up of Right to Buy Receipts and general asset sales. The additional monies that have been received are mainly due to Right to Buy receipts which are received from Progress Housing each year when former council housing stock is sold to tenants. Capital receipts are ringfenced to fund capital expenditure.
- 3.4 The current Capital Programme as updated is showing a balanced position for 2023/24 onwards. The Capital Programme and the associated financing will be subject to discussion with members during the months in the lead up to the annual budget setting process for 2024/25.
- 3.5 Any additional expenditure which is not fully funded by external finance would normally require the generation of capital receipts or borrowing (the latter placing further pressure on the Revenue Budget from the consequent repayment costs). However, Budget Council on 4th March 2013 approved the creation of a Capital Investment Reserve to finance future capital expenditure.
- 3.6 An updated position in respect of the Capital Investment Reserve will be included within future updates of the Financial Forecast presented to the Executive Committee and to Council. Additional future projects will be subject to further consideration as part of the budget setting process for 2024/25. Whilst it remains the case that this reserve is the preferred source of finance for any further additions to the Capital Programme, continuing contributions to the reserve are required to maintain a sustainable funding source for future years.

BACKGROUND PAPERS REVELANT TO THIS ITEM

Name of document	Date	Where available for inspection
Medium Term Financial Strategy - 2022/23 to 2026/27	2 nd March 2023	Report to Budget Council March 2023

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue, Chief Financial Officer	paul.o'donoghue@fylde.gov.uk	February 2024

Appendix A - Capital Programme 2023/24 in-year scheme monitoring report as at 31/12/2023

Appendix B - Updated Capital Programme 2023/24 – By scheme

Appendix C - Updated Capital Programme 2023/24 - Financing

Appendix D - Updated Capital Programme 2023/24 – Summary