

NORTH YORKSHIRE COUNCIL

EXECUTIVE

24 January 2023

NORTH YORKSHIRE COUNCIL CAPITAL FIVE YEAR SPENDING PLAN

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To approve the proposed Capital Plan for the new unitary Council and recommend its adoption to Full Council on 22 February 2023; and
- 1.2 To note the next steps in relation to the transition from 8 individual capital plans to a single unitary Capital Plan on 1 April 2023.

2.0 INTRODUCTION AND CONTEXT

- 2.1 This is the first Capital Plan for the new North Yorkshire Council (NYC). It has been produced by bringing together the existing Capital programmes of the eight predecessor councils through a collaborative approach involving all bodies. The new Capital Plan for NYC will continue to develop going forward and will help to shape future capital investment.
- 2.2 The start of any new council will bring great uncertainty, and this Capital Plan has been developed in a challenging financial environment given inflationary pressures. Looking ahead to future refreshes, capital investment provides opportunities for prioritising investment not only to deliver the council's ambitions but deliver savings and efficiencies.
- 2.3 The Capital Plan must be approved by Council before the start of the financial year. The Council's Financial Procedure Rules empower the Executive to modify the Capital Plan during the year by means of the Capital section of the quarterly performance monitoring reports or through Executive reports at other points in the reporting calendar.
- 2.4 In order to obtain a Council approved Capital Plan for 2023/24 before the start of the financial year, an updated Capital Plan is submitted to the Executive alongside the other 2023/24 budget-related reports. This updated Capital Plan is recommended for:
 - a) approval by Executive at this meeting

followed by

b) approval and adoption by the County Council on 22 February 2023.

3.0 REFRESHING THE CAPITAL PLAN

- 3.1 The consolidated Capital Plan gained general consent approval at the meeting of the Executive on 23 May 2022. The Plan is being updated on a quarterly basis in line with the direction made under section 24 of the Local Government and Public Involvement in Health Act 2007.
- 3.2 The schemes and programmes within this consolidated Capital Plan have since been reviewed by the respective councils and this report details the consolidated Capital Plan position as at Quarter 2 2022/23, 1 July to 30 September, and reflects the additions and adjustments, including the reprofiling of budgets, since the original general consent version was approved.
- 3.3 The new unitary Council is currently planning to invest £154.9m on capital schemes across the County in 2023/24 and £323.8m, in total, over the 5 year capital plan period.
- 3.4 Capital investment across the 8 councils is on-going and the slippage of some schemes into 2023/24 from 2022/23 is to be expected. The schemes and the associated budgets will be confirmed in the next quarter as outturn positions are finalised. The carry forward position will be reported at Q1 2023/24.
- 3.5 The latest consolidated Capital Plan is set out at **Appendix A**. It shows the planned gross expenditure by scheme type along with the associated funding. This supports the completion of the statutory returns highlighted in **paragraph 5.3-5.4**. Work will be undertaken in the next quarter to assign individual schemes and programmes to the new directorate structure, which is being replicated in the Oracle financial system to meet the future reporting requirements of the new unitary Council.

4.0 RISKS

- 4.1 Every effort is made to identify and minimise the level of risk associated with a scheme or programme within the Capital Plan.
- 4.2 Assessing the risks across the entire programme will continue particularly with regard to the possibility of overspends and the impact of inflation. Inflationary cost pressures on construction schemes are a live risk, although there is a level of headroom within available funding to mitigate to some degree. However, the outcomes of several significant grant funding bids are awaited which have the potential to increase the level of risk across the Plan. In addition, the current economic climate may give rise to greater commercial conflicts with contractors. The final nature of the risk will therefore only be known at the end of construction and settlement of contract. More detailed

updates will be provided in future reports once the new Council becomes operational.

5.0 **NEXT STEPS**

CAPITAL FORWARD PLAN

- 5.1 The purpose of the Capital Forward Plan is to ensure that there is a methodical approach to developing proposals for new capital schemes for addition to the Capital Plan and, in particular, the process for approval and securing funding.
- 5.2 A Capital Forward Plan and procedures for (i) proposing and subsequently approving new schemes for capital investment and for (ii) seeking approval to apply for and accept external funding are currently under development. Further details on the capital approval will be included in a future report.
- 5.3 Along with savings and efficiencies, the new NYC provides an opportunity to apply our considerable combined asset base to facilitate local economic growth and regeneration and drive improved outcomes for residents, businesses and visitors to our area.
- 5.4 There is a need to establish the new Councils' approach to capital prioritisation and longer term planning. This Capital Plan should be regarded as a start to that process and work will pick up to address the new range of requirements, expectations, priorities and aspirations.

CAPITAL ESTIMATES RETURN (DLUHC)

- 5.3 The Capital Estimates Return (CER) is one of 6 statutory capital returns required annually by the Department for Levelling Up, Housing and Communities. It is completed every March and sets out the Council's proposed capital expenditure for the following financial year. This is then used as a benchmark for actual capital payments and receipts in year.
- 5.4 The next return will be the first for the new unitary council. Its completion will be based on the data in the appendix to this report.

6.0 **CAPITAL FINANCING**

- 6.1 The financing of the Capital Plan is realised, primarily, through the receipt of Government grants. In addition, the Council can utilise revenue contributions, reserves and capital receipts from the sale of assets such as surplus land and buildings,. In addition, the new Council can borrow, from either the Public Works Loan Board or money markets to fund service investment where there is a clear business case or in relation to the HRA Business Plan.
- 6.2 The main grants included in the Capital Plan relate to Highways and Schools and, as such, the Council's Capital Plan can be heavily influenced by

Government department priorities. Grants, in total, fund 59% of the total proposed 2023/24 Capital programme. Where confirmed, grants have been added to the Capital Plan in the years to which they are due to be received.

6.3 Revenue contributions, whilst reflected in capital budgets, are also addressed in the associated revenue budgets.

7.0 FINANCING THE REFRESHED CAPITAL PLAN

7.1 The following table indicates that there is potentially £20.3m of unallocated capital funding that might become available over the Capital Plan period (depending upon the realisation of forecast capital receipts).

7.2 The 'Corporate Capital pot' is a combination of previously unspent funding approvals and future forecast surplus capital funding, including Capital Receipts. The Capital Receipts included in the table above are not expected to be realised for some time yet. As a result, the availability of this unallocated funding is speculative in terms of both timing and amount. Against this background, any material spending of the 'pot' combined with significant reductions in the expected value of potential capital receipts in the pipeline could result in its being 'overdrawn'. Such a scenario would result in the requirement for additional Prudential Borrowing to finance the existing Capital Plan. Again any impacts beyond 2022/23 will be subject to the transitional arrangements for the new unitary council.

7.3 Assuming that the forecasts remain accurate, the options for this unallocated resource are:

- a) To retain, resulting in the earning of short term interest within Corporate Miscellaneous; or
- b) To make available for either new capital investment or for reducing Prudential Borrowing which would, in turn, result in financing cost savings in the Revenue Budget.

7.4 The current position, as previously agreed by Members, remains to retain any surplus capital funding for the time being.

8.0 RECOMMENDATIONS

The Executive is recommended to:

- a) Approve the consolidated Capital Plan summarised at **Appendix A**;
- b) Note the next steps in transitioning to the new unitary council; and

c) Agree that no action be taken at this stage to allocate any additional capital resources (**paragraph 6.7**)

APPENDIX A
5 Year Consolidated Capital Plan 2023/24 Summary

	2023/24	2024/25	2025/26	2026/27	Total
	Y1	Y2	Y3	LY	
	£k	£k	£k	£k	£k
AGRICULTURAL & FISHERIES SERVICES	1,370.0	-	-	-	1,370.0
CEMETERIES, CREMATION & MORTUARY	304.0	565.0	683.9	635.0	2,187.9
CENTRAL SERVICES - ICT INFRASTRUCTURE	2,084.0	2,260.9	1,359.0	2,934.4	8,638.3
CENTRAL SERVICES - LOANS	9,664.5	-	4,716.4	200.0	14,580.9
CENTRAL SERVICES - OTHER	1,892.9	687.5	722.5	609.0	3,911.9
CENTRAL SERVICES - PROPERTY	3,202.9	447.5	960.0	375.0	4,985.4
CENTRAL SERVICES - VEHICLES	2,473.4	1,701.4	3,092.4	937.0	8,204.2
COAST PROTECTION	-	-	-	-	-
COMMUNITY SAFETY	65.0	405.0	255.0	60.0	785.0
CULTURE & HERITAGE	1,716.6	165.0	1,133.0	218.0	3,232.6
EDUCATION	30,515.8	13,085.4	4,860.0	16,238.2	64,699.4
FLOOD DEFENCE & LAND DRAINAGE	501.4	235.0	-	-	736.4
HIGHWAYS	45,942.9	40,615.0	276.4	12.0	86,846.3
HOUSING HRA	22,955.9	15,739.7	17,350.8	12,410.0	68,456.4
HOUSING NON-HRA	8,503.7	4,742.4	3,714.4	1,854.0	18,814.5
INDUSTRIAL & COMMERCIAL TRADING	2,556.7	-	-	-	2,556.7
LIBRARY SERVICES	-	-	-	-	-
LOCAL AUTHORITY PORTS & PIERS	-	-	-	-	-
OPEN SPACES	476.0	433.0	240.0	425.0	1,574.0
OTHER COMMERCIAL ACTIVITY	-	-	-	-	-
PARKING	550.0	40.0	-	80.0	670.0
PLANNING & DEVELOPMENT SERVICES	200.0	-	-	-	200.0
PUBLIC TRANSPORT	9,494.9	-	-	-	9,494.9
RECREATION & SPORT	6,453.4	855.2	1,359.8	635.5	9,303.9
REGULATORY SERVICES	-	-	-	-	-
SOCIAL CARE	3,853.8	115.0	115.0	7,372.5	11,456.3
STREET CLEANING (NOT CHARGEABLE TO HIGHWAYS)	-	-	-	-	-
WASTE	126.0	112.0	603.6	210.0	1,051.6
GROSS EXPENDITURE TOTAL	154,903.8	82,205.0	41,442.2	45,205.6	323,756.6
GRANTS & CAPITAL CONTRIBUTIONS	- 92,120.7	- 54,823.9	- 8,047.5	- 31,097.3	- 186,089.4
REVENUE CONTRIBUTIONS	- 36,015.5	- 20,437.6	- 28,682.4	- 4,787.0	- 89,922.5
CAPITAL RECEIPTS	- 10,856.3	- 16,734.5	- 17,108.1	- 5,412.3	- 50,111.2
BORROWING REQUIREMENT	- 15,911.3	9,791.0	12,395.8	- 3,909.0	2,366.5
FUNDING TOTAL	- 154,903.8	- 82,205.0	- 41,442.2	- 45,205.6	- 323,756.6