Slough Borough Council

Report To:	Council
Date:	7th March 2024
Subject:	General Fund Capital Programme 2024/25 to 2027/28
Lead Member:	Cllr Wal Chahal, Lead Member for Finance, Council Assets, Procurement and Revenues and Benefits
Chief Officer:	Adele Taylor, Director of Finance (S151 officer)
Contact Officer:	Victoria Gelderd, Strategic Finance Manager - Capital
Ward(s):	All
Exempt:	NO
Appendices:	Appendix A Detailed Capital Programme 2024/25 to 2027/28 Appendix B – Slippage by Project

1. Summary and Recommendations

The report sets out the Council's capital programme from 2024/25 to 2027/28. The Cabinet considered the report at its meeting held on 26th February 2024 and agreed that it be recommended to Council.

Recommendations:

1.1 That the Capital Programme for 2024/25 to 2027/28 as set out in Appendix A be approved.

Reason:

1.2 The Council should have an approved capital programme over the medium term as part of its overall Financial Framework. This will comply with the requirements of the Capital Strategy as set out in the Treasury Management Strategy which is set out in a separate report. Capital expenditure is defined as expenditure that is predominantly incurred on buying, constructing or improving physical assets such as land, buildings, infrastructure and equipment.

This report deals with the Capital Programme for the Council's General Fund assets. The Capital Programme for the HRA is contained in a separate report on the HRA 30 Year Business Plan.

Commissioner Review

1.3 Planning and managing the use of the Council's capital resources is vital. The Treasury Management Strategy which includes the Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Programme.

This programme aligns with the principles in the strategy considering prudence, affordability, and sustainability, which commissioners support. The Council's ability to maintain these assets to enhance their role in the delivery of services, will also be crucial to the Council's financial resilience.

Introduction

1.4 The capital programme set out in Appendix A forms a key part of the Council's budget setting process.

1.5 Prior to the 2023/24 capital programme, previous years' capital programmes have been ambitious involving several major projects. There was insufficient capacity to deliver the capital programme, resulting in slippage of 66% into 2024/25 to deliver the programme. The slippage for 2022/23 was £4.0m, 14% of the total capital programme (£28.7m)

See Appendix B for breakdown of this slippage by project.

The main reason for the slippage is due to insufficient capacity to deliver a number of large projects at the same time in Children's Services and Regeneration, Housing and Environment (£20m). The loan to GRE5 re Nova House Remedial works (£4.6m) is currently marked for slippage but this may not be needed if other sources of funding are granted (confirmation before end of 2023/24).

Any underspends that have not been identified for slippage are either incorrectly budgeted (Hub Development), have been moved to revenue (Transport and Highways) or need to be reimbursed to the external funder (Long-term disabilities).

There has been a focus on strengthening processes around forecasting in 2023/24 to ensure underspends are reported accurately. In 2024/25 there will be further focus on the profiling of budgets.

A detailed review of projects included within the 2023/24 slippage will be conducted by Capital Board in Q1 2024/25 to monitor progress and ensure no further slippage. The findings of this review will be included in the Q1 monitoring report.

The recommendation for Cabinet to approve the slippage of these projects into 2024/25 is within the Q3 Budget Monitoring report.

1.6 The previous capital programme approved on 27th February 2023, envisaged spending £102m with no borrowing requirement. This year the size of the capital programme is £43m for the remaining 4 years, with no external borrowing needed. This is reflected in the Treasury Management Strategy.

The programme is fully funded from grants, S106 contributions and capital receipts from the asset disposal programme. This ensures the Council lives within its means in respect of the capital programme.

Options considered:

1.7 The options available to the Council are dependent to the extent to which funding is available to pay for the capital projects. Given the Council's current financial position, it is considered prudent to eliminate as far as possible the amount of capital spend on projects which are dependent on the council funding from its own very limited resources, and to prioritise projects for which the Council has health and safety obligations and to comply with statutory requirements. It is currently having to sell off assets to generate capital receipts in order to reduce the level of minimum revenue provision (MRP), so including expenditure in the programme which requires borrowing and increases the MRP is counter-productive in the Council's aim to live within its means.

1.8 The capital programme is therefore financed through capital receipts and external capital grants, and it is the Council's ability to bring in such grants, and the conditions placed on such grants, that will determine the size and nature of schemes in the capital programme.

Background

1.9 The total capital programme over the 4 years 2024/25 to 2027/28 is £43m largely funded by capital grants– see summary below:

Table 1 - Funding of Capital Programme

	General Fund £m
Spend	43
Funded by	
Government Grant	(33)
Capital Receipts	(9)
Developer contributions (s.106)	-
Major Repairs Reserve	-
Revenue contributions	-
Capitalisation Direction	-
Total external funding	**(43)**
Total borrowing requirement	**-**
Total funding including borrowing	**(43)**

The detailed capital programme for the General Fund Appendix A.

In addition to the capital budgets and revenue implications, the report sets out:

- The Council's asset base
- Delivery strategies
- Governance
- Capital funding and
- Risk management

2 Report

The Council's Assets

2.1 Since March 2022 the Council has embarked on an asset disposal strategy. To date the Council has generated £218m of capital receipts from the asset disposal programme (including Akzo Nobel), with a further £63m forecast for 2024/25. The total forecast for the asset disposal programme is on track to achieve the target of £400m.

2.2 The majority of capital expenditure set out in this strategy will be spent on enhancement to the existing property portfolio and infrastructure assets (£39m). The remainder will be funding strategy work and cost of sales for disposals (£4m).

2.3 The Council carries out regular maintenance on its properties and infrastructure assets. The capital programme ensures that the Council's highways, operational properties and council dwellings are continuously maintained to a good standard.

Overview of delivery strategies

2.4 The Council's capital programme objectives are:

- To rationalise the capital portfolio, so the remaining assets continue to deliver necessary services to the public. This closely aligns to the estate management strategy that is currently in development.
- Ensure the necessary works to enhance the working conditions of the remaining assets, so they are fit for purpose and meet statutory requirements.
- Minimise any other works to those which are fully funded from external sources and can be undertaken at no additional cost to the Council.

Development schemes

2.5 As part of the Council's asset disposal strategy, and in response to the Council's financial situation, the Council has embarked on a process to disengage from all developments with Slough Urban Renewal LLP.

2.6 Consequently:

- there will be no further capital investment by the Council into the sites that are optioned to SUR.
- Two sites have been disposed of in 2023/24. The remaining sites are due to be disposed in 2025/26.
- Sites opted to SUR are sold on a case-by-case basis subject to approval by the SUR Board and Cabinet decision. An SDP is required for each site and sets out the strategy (development or disposal) for each site. SDPs have been agreed for Haymill (approved September 2023) and Stoke Wharf (agreed in summer 2022). An SDP has not yet been approved by Wexham South although this is expected to be produced by SUR in Spring 2025

Operational

2.7 As a result of stopping all development and strategic acquisitions, the capital programme is focussed solely on improvement works to the Council's operational asset portfolio and other schemes as fully funded through external grants. Departments will work with the programme management team to ensure that delivery of all projects is suitably resourced.

3 Governance

3.1 Once the capital programme is approved by full Council, any changes must be approved in accordance with para 2.4.6 of the Council's financial procedure rules. These require the following:

3.1.1 Cabinet approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e., as per the budget book. The report must show the proposed:

(i) Budget transfers between projects and by year.
(ii) Funding transfers between projects and by year; and
(iii) A summary based on a template approved by the Executive Director of Finance & Commercial

3.1.2 The Executive Director of Finance & Commercial can approve virements of capital monies up to £1m under delegated responsibilities but these must be reported to Cabinet on a quarterly basis.

3.1.3 Cabinet approval is required for all capital additions to the capital programme. All Capital additions are reviewed by senior officers at the Capital Board prior to being recommended for approval to Cabinet.

3.1.4 Funding substitutions in order to maximise funding are the responsibility of the Executive Director of Finance & Commercial.

3.1.5 Cabinet can approve spend on new capital projects up to £5m where expenditure is covered by external grant, is in accordance with the Council's treasury management strategy, has no full year revenue implications and does not exceed £20m in total in any one year.

3.1.6 The Chief Executive can approve virements between projects of up to £1m following consultation with the Executive Director of Finance & Commercial and the Lead Member.

3.1.7 The Executive Director of Finance & Commercial can approve virements between projects of up to £500k following consultation with the Lead member.

3.1.8 Executive Directors can approve virements between projects of up to £250k following consultation with the Chief Finance Officer and the Lead Member.

NB- all virements will be reported to Cabinet on a quarterly basis

4 Summary of the Capital Programme 2024/25 to 2027/28

4.1 The capital programme and the proposed funding is set out in table below:

Table 2 – Proposed Capital Programme 2024/25 to 2027/28

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	Total £000s
Expenditure					
General Fund					
Regeneration, Housing & Environment	18,431	5,997	3,067	1,339	28,833
Adults	1,140	1,140	1,140	1,140	4,560
Children's Services	3,720	2,215	2,069	1,712	9,716
Total expenditure	**23,291**	**9,352**	**6,276**	**4,191**	**43,109**
External funding including capital receipts	(23,291)	(9,352)	(6,276)	(4,191)	(43,109)
Borrowing Requirement					
General Fund	-	-	-	-	-
Total Borrowing Requirement	**-**	**-**	**-**	**-**	**-**

4.2 In drawing up the above programme, the emphasis has been on ensuring that only schemes which are essential for meeting health and safety requirements or complying with statutory obligations and are fully funded from external sources.

4.3 The table below summarises the changes to the capital programme arising from the review of the programme. Overall the capital budget increases by £6m over a four-year timescale, all increases are fully funded by external grants and reflect how and when we plan to spend the funding.

Table 3 - Summary of changes in Capital Programme

	Five Year Plan				Total
	2024/25	2025/26	2026/27	2027/28	
	£000s	£000s	£000s	£000s	£000s
Capital Programme 23/24					
General Fund	19,935	8,182	5,219	3,420	36,756
Total	**19,935**	**8,182**	**5,219**	**3,420**	**36,756**
Capital Programme 24/25	**-**	**-**	**-**	**-**	
General Fund	23,291	9,352	6,276	4,191	43,109
Total	**23,291**	**9,352**	**6,276**	**4,191**	**43,109**
Change	**3,356**	**1,170**	**1,057**	**771**	**6,353**
Borrowing					
Capital Programme 23/24	-	-	-	-	-
Capital Programme 24/25	-	-	-	-	-
Change	**-**	**-**	**-**	**-**	**-**

Key Projects

Regeneration, Housing & Environment

4.4 **Flood Defence Measures (Sponge City Project)**

The Council has been awarded from Defra Grant funding of £7.9m (£4.6m in prior years, £3.3m for future years up to 2026/27) for delivery of the Smart, Sponge Catchments Project. This aims to improve flood resilience in the Chalvey Ditches and Salt Hill Stream River catchments in north-west Slough and southern Buckinghamshire. The project will help the Council to meet its corporate priority for an environment that helps residents live more independent, healthier and safer lives, by delivering infrastructure and enriched public spaces that can act as sponges, soaking up surface water to improve resilience to flooding.

4.5 **Destination Farnham Road**

The Council's Transport team have been advised of an award of £9.249m from the Department for Levelling Up, Housing and Communities. In addition, a 10% local contribution of £1.004m provided through other DFT grants and S106 contributions related to the location. The proposed scheme will revitalise the Farnham Road (A355) corridor by transforming its public realm, in a way that prioritises walking and cycling, and improves bus priority through signal upgrades and the enforcement of parking restrictions. Fully grant funded, initial designs have been presented to Cabinet and consultation and detailed design have commenced in 2023/24,with construction due to start in 2024/25, completion of the project expected in December 2024. The scheme focuses on the Britwell and Northborough wards and Farnham. North-south transport connections will be made stronger to enhance connections to Slough town centre. Farnham Road District Centre's public realm will be improved to support economic growth and improved social function.

4.6 **Additional Transport & Highways Grant funded projects**

Various projects related to transport and highways, fully funded by the Department for Transport (DfT). The DfT have awarded the Council £2.489m each year from 2022/23 – 2024/25.

4.7 **Estate Strategy**

SBC intends to reduce its corporate footprint to a minimum level to reduce running costs and maximise disposal opportunities. Consultants have been commissioned in 2023/24 to begin work on the Estate Strategy and this will continue into 2024/25 to identify office requirements and best use of existing space. This strategy will result in property adaptations and asset disposals which will fund the project as well as help the Capitalisation Directive.

Children's Directorate

4.8 The key projects for the Children's Directorate continue to be the schools modernisation programme, SEN resources expansion and the expansion of the special schools provision in the Council area to meet the increasing numbers of pupils with Special Education Needs. All projects are largely funded from capital grant from the Department for Education (DfE) supplemented by developer contributions.

5 Capital Funding

5.1 The Council is required to have a funded capital programme that is affordable. i.e. all capital expenditure should have a source of funding, no external borrowing is permitted for the capital program at this time.

5.2 The key sources of funding for the Council are:

- Grants
- Developer contributions
- Capital receipts

Grants

5.3 These are predominantly Government grants and are usually provided to the Council to fund specific schemes or programmes. The majority of grants which the Council receives for capital are from:

- the Department for Education (DfE) to ensure the Council is meeting its statutory duty to provide school places and that school buildings are in good condition
- the Department for Transport (DfT) for infrastructure (i.e. highways) improvements; and
- Department for Levelling Up, Housing and Communities (DLUHC) for disabled facilities grant (DFG).

5.4 Capital grants usually have conditions attached which require the grant to be used for specific schemes and potentially require repayment in the event that they are not used for the purpose intended or within a set timetable.

Developer contributions

5.5 Developer contributions are a contract between a developer and the Council, which have to be used on specific projects rather than a more general objective. These are either:

- s.106 agreements made under the section 106 of the Town and Country Planning Act 1990 whereby the planning authority places an obligation on the developer to undertake an obligation as part of the planning permission, and the developer agrees to pay a contribution to the authority for the authority to undertake the works to discharge the obligation; and

Capital Receipts

5.6 Capital receipts are generated from the sale of non-current assets (e.g. land and buildings). The use of capital receipts is statutorily prescribed, such that they can only be used primarily to fund capital expenditure or repay borrowing. The Council holds all capital receipts corporately, which ensures that they can be used to fund the overall capital programme.

5.7 As set out in the Debt Recovery Strategy approved by Cabinet in September 2021 and updated in January 2022, capital receipts generated from asset sales will be used:

- to finance any expenditure capitalised under any Capitalisation Direction granted by the Government; and
- to repay existing external debt.

Capital receipts will also be used to fund capital expenditure where no external grants are in place, such as cost of sales for disposals and capital works from stock condition surveys.

If there are any available unapplied capital receipts at the end of a year and no Capitalisation Direction balance to be repaid, but there is an expectation of Capitalisation Direction costs across the life of the medium term financial strategy, a balance may be left in the capital receipts reserve to ensure this can be applied to the Capitalisation Direction costs.

6 Capital Programme Funding 2024/25 to 2027/28

6.1 Appendix A summarises the funding of the proposed capital programme for General Fund.

6.2 This shows that the entire capital programme of £43m will be fully funded from capital grants, capital receipts and developer contributions without recourse to any external borrowing.

7 Revenue Implications of the Programme

7.1 Any General Fund capital expenditure which is not fully funded from available capital resources (i.e. capital receipts, capital grants, developer contributions and direct funding from revenue) gives rise to borrowing which incurs capital charges in the form of MRP and interest. Where expenditure is to be met from a capitalisation direction, this incurs MRP also which is amortised over 20 years in line with the Statutory Guidance on Minimum Revenue Provision (issued by DCLG 2018).

7.2 No additional MRP arises from the current capital programme because it is fully funded.

8 Risk Management

8.1 Capital projects require careful management to mitigate the potential risks that can arise. Effective monitoring, management and mitigation of these key risks is a key part of managing the capital strategy, which are set out below.

8.2 Delivery risk as a result of the scale of slippage into 2024/25 will need to be monitored. This will be reviewed in the first quarter and reported to Cabinet in the Q1 monitoring report. A small number of projects are repayable if not completed within timescales, these have all commenced and are being prioritised.

Interest Rate Risk

8.3 As a result of the Asset Disposal Programme, the capital receipts generated to date repaid all temporary borrowing by September 2023. This has largely eliminated interest risk from the capital programme.

8.4 The fixed borrowing with PWLB has reduced by £18m up to 31st December 2023, repaid using capital receipts.

Inflation Risk

8.5 Construction inflation (e.g. on highways works, not solely developments) over and above that budgeted could impact on the affordability of the capital programme. A rise of 1% in the cost of the overall programme would increase the cost of the programme by £0.4m, or £0.2m in 2024/25. Whilst this can be mitigated through regular, close monitoring of project expenditure, this may require projects to be scaled back in ambition, deferred to future years or deleted. Where projects are financed through external grants, this will be managed within the same overall budget envelope rather than require the Council to borrow to meet an overspend.

9. Implications of the Recommendation

9.1 Financial Implications

9.1.1 The financial implications are set out in the main body of this report.

9.2 Legal implications

9.2.1 The Local Government Act 2003 sets out the framework for local authority capital finance. This confers a broad power to borrow, subject to affordable borrowing limits. This framework is supplemented by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and by codes of practice and statutory guidance.

9.2.2 Approval of the budget and policy framework is reserved to full Council. In accordance with Part 4.3 of the Council's Constitution, by the end of February Cabinet shall consider the resources available to finance capital projects for the next four years together with the Prudential Indicators and approve the capital expenditure programme for the next four years. Cabinet shall recommend to full Council the capital programme, borrowing limits and the Prudential Indicators for the following four years.

9.2.3 The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council's constitution and in particular the Financial Procedure Rules.

9.3 Risk management implications

9.3.1 These are set out in the main body of the report in section 8.

9.3.2 Additionally there is a risk of not being able to raise funding either through external grants, developer contributions or capital receipts. All external grants and developer contributions included in the programme are pre-agreed to reduce this risk.

9.3.3 Capital receipts are forecasted using estimates from an external consultant, taking into consideration market conditions. These are subject to change but additional assets are constantly being reviewed and added to the programme to mitigate any potential losses and to maximise capital receipts.

9.4 Environmental implications

9.4.1 Inevitably, with any capital projects there are likely to be environmental implications, which will be considered when approval is sought for particular schemes. The HRA report looks further at this with respect to decarbonisation of the housing stock and damp and mould issues.

9.5 Equality implications

9.5.1 It should be noted that there a number of schemes included in the capital budget for 2024/25 which are specifically for the benefit of certain residents within the protected characteristic groupings, namely £1.140m of improvements funded by the Disabled Facilities Grant, and £3.720m on Children's Services. In particular within the latter, there is £1.368m for Schools Modernisation Programme and £1.220m for SEND

Resource bases and Improvements. These are all expected to have favourable benefits for vulnerable residents.

9.5.2 In order to ensure that the Council complies with its duty under section 149 of the Equality Act 2010, individual equality impact assessments will continue to be undertaken as proposals are developed in order to ensure there are mitigating actions, where possible, to minimise any adverse impacts on our communities.

Background Papers

10.1 None