

## **CABINET – 8 DECEMBER 2022**

### **CAPITAL PROGRAMME PLANNING 2023/2024 TO 2026/2027**

#### **Report of the Assistant Director of Finance**

#### **1. Purpose of the Report**

1.1 The purpose of the report is:

- To update Cabinet on the level of capital resources and commitments for the forthcoming financial year within the current approved capital programme; and
- To set out additional capital new start project proposals for inclusion in the Capital Programme 2023/2024 to 2026/2027 to be reported to Cabinet in February 2023.

#### **2. Description of Decision**

2.1 Cabinet is asked to:

- Approve the additional capital project proposals set out in this report for inclusion in the full capital programme 2023/2024 to 2026/2027 to be reported to Cabinet in February 2023.

#### **3. Background**

3.1 The Council's Capital Strategy was agreed by Cabinet in October 2022. The strategy provides the framework within which the Council's capital investment plans will be prioritised and delivered. The strategy is reviewed annually to capture any required updates including emerging changes to Council priorities encapsulated within the City Plan and the refresh of key financial indicators.

3.2 The Council currently has an ambitious capital programme, with investment of £710m profiled over the period 2022/2023 to 2026/2027. The delivery of the City Plan, which will drive transformation and economic regeneration in the City, will require further capital investment by the Council as detailed within this report.

3.3 While the financial position and future spending commitments continue to be managed closely, the Council still has significant and ambitious growth plans that will benefit the city, its residents, its businesses, and other stakeholders.

#### **4. Existing Capital Programme 2022/2023 to 2026/2027**

4.1 The current capital programme (as detailed in the Second Capital Review report presented to Cabinet in October), commits substantial resources over the five years to 2026/2027. The programme was approved with the aim of delivering on the priorities set out in the City Plan. The value of the capital programme investment totals £710.484m across the 5 years as summarised below:

Expenditure by Portfolio	Gross Cost £'000	Expend. to 31.3.22 £'000	Estimated Payments				
			2022/2023 £'000	2023/2024 £'000	2024/2025 £'000	2025/2026 £'000	2026/2027 £'000
Deputy Leader and Clean Green City	238,999	122,991	37,114	50,211	23,148	4,535	1,000
Cabinet Secretary	77,179	30,334	20,822	12,666	8,750	3,329	1,278
Children's Learning and Skills	70,704	32,983	27,307	7,709	2,705	0	0
Dynamic City	660,294	216,247	141,171	165,203	68,910	68,763	0
Healthy City	33,222	16,119	7,128	3,603	6,122	250	0
Vibrant City	69,691	20,931	6,247	17,936	17,700	4,306	2,571
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,150,089</b>	<b>439,605</b>	<b>239,789</b>	<b>257,328</b>	<b>127,335</b>	<b>81,183</b>	<b>4,849</b>
					← 710,484 →		

The current programme is funded as follows:

Funding Source	Total	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
	£'000	£'000	£'000	£'000	£'000	£'000
Prudential Borrowing	501,391	135,542	195,825	104,750	60,425	4,849
Capital Receipts	17,409	6,281	4,289	1,641	5,198	0
Reserves and Revenue	13,429	9,706	3,723	0	0	0
External Funding	178,255	88,260	53,491	20,944	15,560	0
<b>Total</b>	<b>710,484</b>	<b>239,789</b>	<b>257,328</b>	<b>127,335</b>	<b>81,183</b>	<b>4,849</b>

## 5. Additional Capital Project Proposals 2023/2024 to 2026/2027 – Framework for Considering Priority Projects

- 5.1 The Chief Officer Group take forward the development of projects and ensure appropriate prioritisation and oversight. The role of this Group, which consists of senior officers, is to:
- Co-ordinate the development of capital projects to meet future strategic requirements, aligned to Council priorities and the City Plan; and
  - Prioritise new capital proposals and variations to existing projects within the context of available resources and the strategic priorities, prior to making recommendations to Cabinet for consideration.
- 5.2 The current Capital Strategy, approved by Cabinet in October 2022, has been updated to reflect; the priorities included within the City Plan, the latest capital investment and debt ratios, and a refresh of the investment forecasts over the longer term.
- 5.3 The Capital Strategy provides the framework within which the Council's capital investment plans are prioritised and delivered. The capital priorities are aligned to the City Plan "Sunderland 2019-2030" priorities of:
- Sunderland will be a **dynamic smart city**. This includes a lower carbon city with greater digital connectivity for all; more and better jobs; more people with better qualifications and skills; a stronger city centre with more businesses, housing and cultural opportunities; and more and better housing;

- Sunderland will be a **healthy smart city**. This includes reduced health inequalities enabling more people to live healthier longer lives; access to equitable opportunities and life chances; people enjoying independent lives; great transport links with low carbon and active travel opportunities for all; and a cleaner and more attractive city and neighbourhood; and
- Sunderland will be a **vibrant smart city**. This includes more resilient people; more people feeling safe in their homes and neighbourhoods; more residents participating in their communities; and more people visiting Sunderland and more residents informing and participating in cultural events, programmes and activities.

In addition, a continuing priority for the Council is to deliver the best possible services and support to our residents, with a focus on long term benefits for our children and young people beyond 2030.

5.4 Whilst primarily supporting the above priorities, the Council will also continue to seek to maximise the return on investment through:

- Generating savings or supporting the avoidance of additional revenue costs;
- Growing the Council's income base i.e. fees and charges, business rates and council tax;
- Seeking a commercial return; and
- Generating and supporting funding opportunities which encourages and levers in private sector investment and other funding into the city.

## 6. **Additional Capital Project Proposals 2023/2024 to 2026/2027 - Resources Available**

### 6.1 Resources - Grants

The Council has been successful in securing several key funding streams in recent years to support the City Plan for various projects across the City; these include Future High Streets Fund, Transforming Cities Fund, Housing Infrastructure Fund, Getting Building Fund, Active Travel Fund, Homes England funding for social housing, Levelling Up Round 1 Fund, as well as from other grant funding streams. Opportunities for external grant will continue to be targeted to support delivery of future investment in the city. The outcome of the Council's application to Round 2 of the Levelling Up Fund is expected late 2022 / early 2023.

As in previous years, it is anticipated that resources allocated in respect of Transport, Disabled Facilities Grant and Education specific purpose grants will be allocated to those services areas. These grants, in the main, support recurring capital maintenance activity and as such are not included in the detailed new starts section of this report. A detailed update of future years' grant allocations and their proposed use will be provided to Cabinet as part of the Capital Programme report in February 2023 based upon the information available at that time.

#### 6.2 Resources – Capital Receipts and Reserves

The Council continues to market sites for sale to maximise capital receipts and support operational requirements. Capital receipts are only earmarked once they have been realised, or where they have been included as part of any Capital project financial plan as part of the overall business case. They have the potential to be required to fund transformation costs arising from implementation of savings programmes, drawing on Government flexibilities on the use of capital receipts to support such costs. Any realised capital receipts not required to fund transformation costs are considered for use to support the funding of the Capital Programme to reduce borrowing requirements.

Available reserves are being utilised to support the current revenue and capital plans and are scheduled to reduce over the Medium-Term Financial Plan (MTFP) period. Reserves which become available are considered for use to support the funding of the Capital Programme to reduce borrowing requirements.

S106 Reserves - Upon confirmation of S106 agreements with developers, monies received are held in reserves until detailed plans on use of the funding are developed in accordance with the requirements outlined in the S106 agreements. Once developed, the projects are brought into the Capital Programme at the appropriate time. Typical uses include the development / improvement of play provision, educational assets, highways infrastructure, affordable housing, public open spaces and ecological improvements.

#### 6.3 Resources – Capital Expenditure charged to Revenue Account (CERA)

At present there is minimal specific budget provision for revenue contributions to support capital expenditure.

#### 6.4 Resources – Borrowing

The Council can fund its capital expenditure through additional prudential borrowing. Additional borrowing results in additional debt charges which must be affordable within the revenue budget planning with appropriate provision included within the base budget and MTFP.

The Budget Planning Framework and Medium-Term Financial Plan Report, approved by Cabinet on 13th October 2022, with a revised report elsewhere on this agenda, includes sufficient provision for capital financing charges that may arise following Cabinet approval of the additional new project proposals set out within this report.

In line with past practice, it is proposed to use the funding flexibly, with the option to switch borrowing with surplus capital receipts once they are realised. This would reduce planned capital finance charges that may arise from this borrowing.

#### 6.5 Resources – Other Funding – Enterprise Zones

The Council has three Enterprise Zone sites: IAMP, A19 Ultra Low Carbon Zone and part of the Port of Sunderland. All the business rates growth generated on these Enterprise Zones for their 25-year life are payable to the North East Local Enterprise Partnership (LEP). This resource is then distributed by the North East LEP to meet / contribute to the capital financing costs of the infrastructure works associated with those zones delivered through the Council's Capital Programme.

### 7. Additional Capital Project Proposals 2023/2024 to 2026/2027 - Detail

7.1 The following suite of additional projects, categorised by Portfolio, are proposed for inclusion in the capital programme for 2023/2024 to 2026/2027 with further details set out in Appendix 1. The profiling of proposed projects will be reviewed and refined, and any updates will be reflected in the capital programme to be reported to Cabinet in February 2023.

Appendix 1 Ref	Project Name	Total Project Spend	Spend 2023/24	Spend Future Years	Council Funding
		£m	£m	£m	£m
<b>Deputy Leader and Clean Green City</b>					
1.1.1	Vehicle, Plant and Equipment Replacement Programme	16.056	3.842	12.214	16.056
1.1.2	Nobles Quay Replacement	3.000	2.600	0.400	3.000
1.1.3	Port Infrastructure	1.300	0.400	0.900	1.300
<b>Total</b>		<b>20.356</b>	<b>6.842</b>	<b>13.514</b>	<b>20.356</b>
<b>Cabinet Secretary</b>					
1.2.1	Planned Property Capital Maintenance	7.500	0.000	7.500	7.500
1.2.2	End User Devices	0.465	0.000	0.465	0.465
1.2.3	NetBackup Appliance Refresh	0.460	0.000	0.460	0.460
<b>Total</b>		<b>8.425</b>	<b>0.000</b>	<b>8.425</b>	<b>8.425</b>
<b>Dynamic City</b>					
1.3.1	Highways Asset Investment Programme	8.000	1.000	7.000	8.000
1.3.2	Bridge Maintenance Investment Programme	5.000	1.000	4.000	5.000
<b>Total</b>		<b>13.000</b>	<b>2.000</b>	<b>11.000</b>	<b>13.000</b>
<b>TOTAL OF INVESTMENT PROPOSALS</b>		<b>41.781</b>	<b>8.842</b>	<b>32.939</b>	<b>41.781</b>

7.2 The proposed additional new projects total £41.781m (£8.842m in 2023/2024 and £32.939m in future years).

The total £41.781m is to be met from available Council resources, following approval of the Budget Planning Framework Report and Medium-Term Financial Plan by Cabinet in October 2022.

Planned funding sources for individual capital schemes may be subject to amendment to achieve best value to the Council and ensure the capital programme continues to be prudent, affordable and sustainable into future years, and within overall borrowing limits whilst still retaining flexibility.

### 7.3 Further Reports

Following approval of new project budget allocations by Council in February 2023, and in accordance with the Council's Constitution, prior to the commencement of project works, details of all new schemes must be subject to a full capital investment appraisal. Those schemes with an estimated cost more than £0.500m must be reported for approval to Cabinet before commencement of the scheme.

## **8. Reasons for Decision**

8.1 To comply with statutory requirements.

## **9. Alternative Options**

9.1 No alternative options are submitted for Cabinet's consideration.

## **10. Impact Analysis**

10.1 Impact assessments will be undertaken by Directorates to ensure programmes are delivered within budget.

## **11. List of Appendices**

11.1 Appendix 1 - Capital New Start / Additional Investment Proposals 2023/2024 to 2026/2027.

## **12. Background Papers**

12.1 Cabinet Report – 13th October 2022 - Budget Planning Framework and Medium-Term Financial Plan 2023/2024 – 2026/2027.

### Capital New Start / Additional Investment Proposals 2023/2024 to 2026/2027

The following projects are proposed for inclusion in the 2023/2024 to 2026/2027 capital programme. Amounts represent the total estimated project cost.

#### 1.1 Deputy Leader and Clean Green City New Start Proposals

##### 1.1.1 Vehicle, Plant and Equipment Replacement Programme - £16.056m

A series of investments to deliver replacements of vehicles, plant and equipment i.e. vans, trucks, cars, refuse collection vehicles, snow ploughs, gritters / sweepers, grasscutters & attachments and various plant and equipment. Where replacements are for existing leased vehicles, there will be a revenue budget saving which will be factored into the Medium Term Financial Plan.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

The investment provides city wide customer service delivery benefits and will contribute to the following strategic priorities.

- Dynamic Smart City: a stronger city centre with more business, housing and cultural opportunities
- Dynamic Smart City: a lower carbon city with greater digital connectivity for all
- Healthy Smart City: a cleaner and more attractive city and neighbourhood
- Vibrant Smart City: more people feeling safe in their homes and neighbourhoods.

##### 1.1.2 Nobles Quay Replacement - £3.000m

Reconstruction of Nobles Quay which is in need of repair.

Nobles Quay is one of the quays located on the south side of the river in the east end of the city and is one of the oldest quays remaining in the city dating back to early 1800's. The current stone wall quay is in poor condition and emergency works have recently been carried out to prevent the quay from collapsing ahead of a permanent solution being implemented.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

Whilst directly benefitting residents in East Sunderland, it is envisaged that the quay will support the city-wide population.

- Dynamic Smart City: more and better jobs
- Dynamic Smart City: a stronger city centre with more business, housing and cultural opportunities
- Healthy Smart City: a cleaner and more attractive city and neighbourhood
- Healthy Smart City: great transport links with low carbon and active travel opportunities for all
- Vibrant Smart City: more residents participating in their communities.

### **1.1.3 Port Infrastructure - £1.300m**

The investment will support the undertaking of minor infrastructure works on the Port estate. The acquisition of plant and machinery will support the efficiency of the Port's operations and provide for a safe and secure environment for Port employees, tenants and users. The funding would also deliver essential repair work to the eastern end of the Corporation Quay as well as feasibility work into works on the Sheers Quay to determine the scope and costs associated with any development.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

The investment will safeguard the port business activity and provide continued support for the city wide economy, and will contribute to the following strategic priorities.

- Dynamic Smart City: more and better jobs
- Dynamic Smart City: a lower carbon city with greater digital connectivity for all

## **1.2 Cabinet Secretary New Start Proposals**

### **1.2.1 Planned Property Capital Maintenance - £7.500m**

Various construction, mechanical and electrical services projects and works required to maintain and improve the Council's property assets portfolio (in accordance with the Council's Asset Management Plan). Works will be identified, primarily from asset condition data, and prioritised based on urgency and within available resources.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

The investment provides city wide customer service delivery benefits, and will contribute to the following strategic priorities:

- Dynamic Smart City: a lower carbon city with greater digital connectivity for all
- Healthy Smart City: reduce health inequalities enabling more people to live healthier longer lives
- Healthy Smart City: access to equitable opportunities and life chances
- Healthy Smart City: people enjoying independent lives
- Healthy Smart City: a cleaner and more attractive city and neighbourhood.

### **1.2.2 End User Devices – £0.465m**

Ongoing replacement of ICT end user devices (laptops, desktop PC's and mobile phones) to ensure the continued, up-to-date and secure use of ICT services.

Area Outcomes / Benefits and Contribution to Strategic Priorities:

Having fit for purpose and resilient technical solutions for ICT users underpins the effective running of the Council and therefore indirectly supports the delivery of the City Plan.



### **1.2.3 NetBackup Appliance Refresh - £0.460m**

The NetBackup Appliances which protect our on-premise server estate become end of life in 2025. To continue to secure the integrity of the server estate and the applications and data held the appliances must be replaced.

Area Outcomes / Benefits and Contribution to Strategic Priorities:  
Having fit for purpose and resilient technical solutions for ICT users underpins the effective running of the Council and therefore indirectly supports the delivery of the City Plan.

## **1.3 Dynamic City New Start Proposals**

### **1.3.1 Highways Asset Investment Programme - £8.000m**

Government grants are provided for capital investment into the highways network via the annual maintenance grant and ad-hoc pot-hole funding, and there is revenue provision for minor repair works. However, in order to improve the condition of the Council's highway assets, including roads, footways and traffic signals and reduce the backlog further, additional Council investment is proposed from 2023/2024 through to 2026/2027.

Area Outcomes / Benefits and Contribution to Strategic Priority:  
A well-maintained highway network is key to facilitating economic growth and will contribute to the following strategic priorities:

- Dynamic Smart City: a stronger city centre with more business, housing and cultural opportunities
- Dynamic Smart City: a lower carbon city with greater digital connectivity for all
- Healthy Smart City: great transport links with low carbon and active travel opportunities for all
- Vibrant Smart City: more people visiting Sunderland and more residents informing and participating in cultural events, programmes and activities.

### **1.3.2 Bridge Maintenance Investment Programme - £5.000m**

Government grants are provided for investment into the capital maintenance of bridges via the annual maintenance grant, and there is revenue provision for minor repair works. However, in order to improve the condition of the Council's bridges and structures, additional Council investment is proposed from 2023/2024 through to 2026/2027.

Area Outcomes / Benefits and Contribution to Strategic Priority:  
Having fit for purpose and resilient technical solutions for ICT users underpins the effective running of the Council and therefore indirectly supports the delivery of the City Plan.

