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Simon Young, Solicitor
Head of Legal and Democratic Services



FINANCIAL POLICY PANEL

Tuesday 6 December 2016 at 7.30 pm

Committee Room 1 - Epsom Town Hall

The members listed below are summoned to attend the Financial Policy Panel meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Eber Kington (Chairman)
Councillor Richard Baker
Councillor John Beckett
Councillor Graham Dudley

Councillor Omer Kokou-Tchri
Councillor Barry Nash
Councillor Keith Partridge
Councillor Vince Romagnuolo

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Young', written over the typed name.

Head of Legal and Democratic Services

For further information, please contact Fiona Cotter
tel: 01372 732124 or email: fcotter@epsom-ewell.gov.uk

AGENDA

1. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting

2. MINUTES (Pages 3 - 8)

The Panel is asked to confirm the Minutes of the Meeting of the Panel held on 27 October 2016 (attached) and to authorise the Chairman to sign them.

3. PLANNED MAINTENANCE UPDATE (Pages 9 - 18)

The report reviews progress in relation to the planned maintenance programme and recommends adjustments to the programme.

4. CAPITAL PROGRAMME 2017/18 (Pages 19 - 34)

This report seeks guidance from the Panel on the preparation of the draft capital programme for 2017/18 and on funding to be released for capital investment.

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 27 October 2016**

PRESENT -

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett, Kate Chinn (as nominated substitute for Councillor Vince Romagnuolo), Graham Dudley, Omer Kokou-Tchri, Barry Nash and Keith Partridge

In Attendance: Dan Wilson, Head of Credit and Investments and Nazmin Miah, Senior Client Consultant, Capita Asset Services

Absent: Councillor Vince Romagnuolo

Officers present: Kathryn Beldon (Director of Finance and Resources), Brian Thompson (Interim Head of Financial Services), Lesley Shields (Senior Accountant) and Fiona Cotter (Democratic Services Manager)

8 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors regarding items on the Agenda.

9 CAPITA ASSET SERVICES

On behalf of the Panel, the Chairman welcomed Dan Wilson, Head of Credit and Investments and Nazmin Miah, Senior Client Consultant, Capita Asset Solutions, to the meeting. Mr. Wilson and Ms. Miah gave a presentation to the Panel which covered an economic summary, an interest rate outlook, the Council's investment position and options for borrowing.

In particular, the following points were noted:

Economic Summary and Interest Rate Outlook

- Whilst latest GDP figures were stronger than expected, the economic outlook remained uncertain following the referendum. The Eurozone continued to struggle and interest rates in the United States had not been increased as expected and were unlikely to be raised any time soon in view of the pending election;
- There was a concern that UK inflation could go considerably higher than forecast;

- Employment was good and consumer confidence was relatively high despite interest rates not being increased. There was a “feel good” factor as wages were currently growing by more than inflation;
- Government revenues had not increased as much as had been hoped. The pace of austerity had been slowed and this could affect interest rates and the cost of borrowing;
- In its August Inflation Report, the Bank of England had left its growth forecasts unchanged at 2% for 2016 but had greatly revised down its forecasts for 2017 to 0.8%. Inflation forecasts had been revised up significantly as a result of a fall in sterling and it was forecasted to rise 2% in 2017 and 2.5% in 2018 and 2019
- The UK Bank Rate forecast did not see matters improving any time soon and borrowing rates were unlikely to change materially in the short term;

Investment Position

- The Council’s internally managed funds provided good levels of liquidity and the external investment portfolio performance was strong;
- Enhanced Cash Fund Performances: Fund C was the strongest performer but could be more volatile so attracted a higher risk and investment in this fund needed to be weighed up against other options;

Borrowing Option

- Capital Financing Requirement was the underlying need to borrow for capital expenditure net of all capital receipts, grants and revenue contribution;
- The CIPFA Prudential Code, introduced in 2004 and updated in 2011, set out a number of criteria in regard to capital expenditure and borrowing, in particular that capital plans should be affordable and borrowing limits should be prudent and sustainable;
- There were a number of considerations to be taken into account before embarking on borrowing and a strategy was required. Factors to be taken into consideration included whether to borrow internally or externally, over what period and, in particular, what would be the authorised limit for borrowing. Once set, the authorised limit was the maximum amount which could be borrowed. It was crucial that this was set at the right level as it was a legal limit and any breach of it would have to be reported to Council.

Following questions, the Chairman on behalf of the Panel, thanked Mr Wilson and Ms. Miah for their attendance.

10 TREASURY MANAGEMENT - INTERIM REPORT

The Panel received and considered a report which updated members on treasury management performance for the first six months of 2016/17.

In regard to the Council's investments, the average rate of return from these for 2016/17 had been anticipated at 1.25%. However, returns on investments for the first six months provided an average annualised return of 1.09% (the table at paragraph 5.2 of the report referred).

Whilst both internal and external investments for the first six months of 2016/17 had exceeded the benchmark of the 7 day LIBID rate, the Council's external fund manager was out performing internal investments and had advised of an anticipated overall return on the fund of around 0.8% by the end of the year. It was noted that the Council had been very fortunate in the rate of returns generated by its external fund manager. The Council's Financial Strategy for Treasury Management set out that investment decisions had to be based first and foremost on security then liquidity and finally yield. Investments with the Council's external fund manager were considered low risk as the money invested in the fund was spread across a range of counterparties which limited the exposure of a significant sum being invested with a defaulting counterparty.

Officers were open to a conversation with the Chairman of the Panel regarding the Council's exposure to risk in terms of its investment strategy which was ultimately approved by Council on an annual basis. As long as Officers operated within the agreed strategy then responsibility for the implications of investments made in line with the strategy lay with members.

Finally, it was noted that the Council had not as yet considered borrowing for property development but that this was something that might be considered in the future.

Accordingly, the Panel

- (1) Endorsed the continuation of management of the Council's external funds by Aberdeen Asset Management plc;
- (2) Noted the performance on return of investments for the first six months of 2016/17; and
- (3) Noted the current investment decisions being made within the terms set out in the Treasury Management Strategy.

11 S106 AND CIL UPDATE REPORT

The Panel received a report which provided an update on the funds held under Section 106 planning agreements and Community Infrastructure Levy (CIL).

The Council currently held funds from S106 agreements totalling approximately £3.8m. From this balance £2m was committed within the capital programme for such items as affordable housing or earmarked for schemes awaiting further

approval. Included within this balance was £236,000 which needed to be transferred to Surrey County Council and other organisations as they were responsible for utilising these funds.

The Council currently held funds from CIL totalling approximately £2.8m. From this balance, following the Council's withdrawal of its contribution towards the Banstead Sustainable Transport Package, £556,000 was committed within the capital programme for such items as Plan E and revenue to fund delivery of the Local Plan in 2016/17 and 2017/18. The Council had withdrawn its contribution to the BSTP as it had not been demonstrated that the scheme would help to deliver new development within this Borough, specifically Epsom Town Centre.

It was highlighted to the Panel that there was a typographical error in paragraph 2.4 of the report. The figure quoted in this paragraph should have been £1,043 and not £859,000 (to match the amount of earmarked funds quoted in the table).

The Council currently held no S106 agreements which had reached their expiry dates. However, it was noted that, of the currently uncommitted contributions, a number currently had no use identified. Officers had delegated authority to spend up to £10,000 without reference to Committee but would discuss with the Chairman how S106 money might be allocated in the future.

The Panel was further requested to support the use of S106 funds to fund the increase in the cost (£8,500) of the scheme to replace multi-play equipment in Poole Road Recreation Ground from the following sources:

Received	Address	Conditions	£	Previous use of s106
01/11/2013	429 Kingston Road	Provision of open space facilities within the Borough	2,041.02	Park information boards
14/09/2010	87-87 Amis Avenue	Provision of open space facilities within the Borough	1,036.70	Flood works at Clarendon Park
31/10/2013	137-139 Chessington Road Ewell	Provision or improvement of public open space within the Borough	3,299.99	Playground equipment at Pemberley Chase. Poole Road Playground
16/04/2012	7 High Street Ewell	Provision of open space facilities within the Borough	1361.57	Park information boards

Received	Address	Conditions	£	Previous use of s106
15/03/2010	25 High Street Epsom	Provision of open space facilities within the Borough	760.72	Parks Bench Replacement
			8,500.00	

Accordingly, the Panel:

- (4) Noted the current position on S106 funds held by the authority;
- (5) Noted the current position on CIL funds held by the authority;
- (6) Supported the use of S106 funds for the increase in Poole Road Recreation Ground play equipment scheme (£8,500).

12 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 13 September 2016 were agreed as true record and signed by the Chairman subject to noting that Councillors Steve Bridger and David Wood had in fact been in attendance as the nominated substitutes for Councillors Keith Partridge and Graham Dudley respectively.

The meeting began at 7.32 pm and ended at 8.58 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

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PLANNED MAINTENANCE UPDATE

Report of the: Head of Property
Contact: Tony Foxwell
Annexes/Appendices (attached): **Annexe 1:** 2016/17 Approved Programme
Annexe 2: 2016/17 Monitoring Report

Other available papers (not attached):

REPORT SUMMARY

The report reviews progress in relation to the Planned Maintenance Programme and recommends adjustments to the programme

<u>RECOMMENDATION (S)</u>	<i>Notes</i>
(1) Receives the progress report on the Planned Maintenance Programme,	
(2) Notes changes made to the programme under officer delegated authority	

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Ensuring that assets are protected and enhanced supports the delivery of the Council's key priorities
- 1.2 The programme supports a number of specific key priorities including measures to enhance sustainability and combat the impact of climate change

2 Background

- 2.1 The 2016/17 budget for prioritised planned maintenance repairs was agreed by the Strategy and Resources Committee on 5 April 2016 and was set at £210k
- 2.2 The £210k consists of £175k maintenance base budget, £30k regulatory works base budget, and £5k watercourses base budget.
- 2.3 **Annexe 1** set out the agreed schemes

3 Current position

- 3.1 **Annexe 2** sets out the current position of spend against each scheme.
- 3.2 Please note virements carried out under the planned maintenance budget:
- 3.3 The Bourne Hall roofing tender came in £15k over budget due to increased requirements in specification for 10 year guarantee for box gutter works and use of high performance welsh slates.
- 3.4 A virement was carried out to add additional sums to cover this shortfall by cutting the refurbishment scheme of the top pavilion in Alex Recreation Ground and using unspent monies from the water mains replacement at the same Recreation Ground.
- 3.5 Urgent Health and Safety works were required to the lifts in the Town Hall. The internal structural beams were coming apart from the structure which affected the lifts, causing movement. Works have been carried out to one lift. Works to lift no 2 not yet instructed. The cost of the work on both lifts was estimated at £10k and a virement was carried out to fund this from maintenance reserves
- 3.6 Notes on **Annex 2** describe progress and current budget and costs

4 Proposals

- 4.1 The Panel is asked to note the progress on schemes and the changes to the programme as forecast at mid-year.
- 4.2 In the event that the monies are not spent before the end of the financial year, it is proposed that the remainder is returned back to planned maintenance reserves.
- 4.3 Any projects started but not completed by the end of the financial year will be carried over to the next year.

5 Financial and Manpower Implications

- 5.1 There will be no increase in the forecast spend and works can be completed within the approved budget and with current manpower.
- 5.2 **Chief Finance Officer's comments:** *The schedule of works at Annex 2 represents the current position of spend and commitments for the year to date and includes the budget virements as set out in paragraph 3 above. The total proposed spend on schemes of £399,000 includes £156,000 of in progress or not started works brought forward into 2016/17. These are to be funded by drawdown from the property maintenance reserve. The balance on the reserve as at 1/4/2016 was £239,000.*

6 Legal Implications (including implications for matters relating to equality)

6.1 *Monitoring Officer's comments: There are no direct legal implications arising from this report. It is important that the Council meets its obligations to repair and maintain its properties – whether arising in terms of occupier liability, health & safety legislation or otherwise. It is important that works are prioritised accordingly.*

7 Sustainability Policy and Community Safety Implications

7.1 Some of the works in the programme will contribute to the achievement of relevant objectives.

8 Partnerships

8.1 There are no current partnership arrangements within the Planned maintenance budget.

9 Risk Assessment

9.1 The risks associated with completion of the programme are judged to be manageable.

10 Conclusion and Recommendations

10.1 The Panel is asked to note changes made to the programme under officer delegated authority.

10.2 It is proposed that any unspent budget provision for works in progress will be carried forward via the Council's Property Maintenance Reserve at year end. End of year report to follow at next Strategy and Resources meeting.

WARD(S) AFFECTED: (All Wards);

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Planned Maintenance items list 2016/17

Location	Proposed Works	£000s	Comment/Justification	Priority
Ashley centre car park 92a High Street	Concrete repairs to floors	10	Many areas throughout car park dangerous, floor surface breaking up, car park attendants have reported many times. Possible risk of injury/insurance claim.	1A
	External Decorations	5	Leased property requires External decoration	1A
Alexandra Rec	Rerun mains water pipework	7	Established there are leaks underground in access road to pavilion, large section of pipework to be excavated and replaced.	1A
Auriol pavilion	New boiler and associated works	15	Boiler condemned requires replacement	1A
Cox Lane Centre	External decoration and window replacement	30	Windows are rotten in exposed areas, external decorations required to maintain property	1A
Cox Lane Conquest Art Building	Demolition	10	Demolition required to reduce future maintenance costs	1A
Longmead Depot	Refurbish gents toilets	15	Toilets in awful state require refurbishment, raised and agreed at corporate property group	1A
Harriers centre	Redecoration - internal & External	15	Over 12 years since any external decorations have been carried out, with new operations within building it is essential we maintain the asset.	1A
Rosebery park pond	Structural investigations	10	Pond is collapsing and water washing out the pathway to perimeter.	
Various	Walls and fences	5	Emergency repairs to walls and fences, these are raised by public, staff, CRMs, parking and street care as they occur throughout the year	1A
Various	Hard surfaces	10	Emergency repairs to surfaces, car parks, parks, council owned land and hard surfaces, these are raised by public, staff, CRM's, parking and street care as they occur throughout the year	1A
Regulatory works				
Various	Remedial electrical works/ 5 yearly inspections	13	Legislative	1A
Various	Remedial works following Fire Risk Assessments	10	Additional funds required to carry out repairs and alterations following risk assessment/survey	1A
Various	Energy Efficiency	10	Minor improvements to reduce energy consumption, cost for repairs and maintenance to meters and renewal where necessary	1A
Various	Water Efficiency	10	Minor improvements to reduce water consumption, repairs, water leaks, and maintenance of meters.	1A
	Total	175		

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Planned maintenance and regulatory works monitor

Site	Works	Q3 Virements	Revised budget Q3	Q4 Virements	Revised budget Q4	Actuals year to date	Outstanding commitments	Total actuals and commitments	Expend. Forecast	under/ overspend	Notes
Unallocated			0		0			0	0	0	
Bourne Hall Lodge	Roof replacement, render repairs, waterproofing		33,800		33,800	15,000	18,750	33,750	33,750	-50	Bourne Hall roof due complete at end December weather dependant
Ashley Centre Car Park	Concrete repairs to floors		10,000		10,000		11,944	11,944	11,944	1,944	PO placed works planned in Feb 2017 as cannot carry out works over Christmas period due to restrictions
Ewell High Street	Car park resurfacing		35,000		35,000	0		0	35,000	0	Design stage. Plan to complete scheme by Q4
Cox Lane Centre	Exrternal decorations and window replacement		30,000		30,000	0		0	30,000	0	Due to start in March 2017
Cox Lane Centre- Conquest Art building	Demolition		10,000		10,000	330	10,530	10,860	13,000	3,000	PO placed demolition planned in November. Asbestos survey carried out, all services disconnected
Longmead Depot	Repairs to concrete and repainting		30,000		30,000	29,830	0	29,830	29,830	-170	Works complete
Longmead Depot	Refurbish gents toilets		15,000		15,000	0		0	15,000	0	Out to tender. Works planned Q4
92a High Street	External decorations		5,000		5,000	4,480		4,480	4,480	-520	Complete
Various	minor improvements to reduce energy consumption		0		0	0		0	3,375	3,375	budget and actuals relocated to plm05/db055 below
Various	Hard Surfaces- repairs to car parks, parks paving walkways etc		0		0	0	0	0	13,154	13,154	budget and actuals relocated to plm02/db002/ms023 below
various	minor improvements to reduce water consumption		0		0	0	75	75		0	actuals relocated to plm05/db056 below
Various	Emergency repairs to walls and fences		5,000		5,000	3,775	1,175	4,950	5,000	0	Works complete
Longmead estate	Path repairs		20,000		20,000			0	20,000	0	Scheme to be worked up and presented to RHA for approval to then release funds
Various	Resurfacing works		28,154		28,154	23,008	0	23,008	15,763	-12,391	Many resurfacing issues raised this year under Health and Safety through CRM's and reported jobs through Rangers, Streetcare and Managers
Alex Rec main pavilion	Damp proofing works		30,000		30,000	0		0	30,000	0	Not started
Alex rec	Top pavillion refurbishment		0		0	0		0	12,000	12,000	Cancelled scheme. Budget to be used for the Lodge at Bourne hall
Alec Rec	Rerun mains water pipework		5,200		5,200	5,200	0	5,200	5,200	0	Complete
Auriol pavillion	New boiler and associated works		15,000		15,000	0		0	10,000	-5,000	Boiler to be replaced
Harriers centre	Redecoration - internal and external		15,000		15,000	0		0	15,000	0	Specification in progress. Completed by Q4
Rosebery Park	Pond investigations		10,000		10,000	1,365	1,745	3,110	3,110	-6,890	Complete
Town Hall	Kitchen refurbishments		10,189		10,189	3,040	0	3,040	3,040	-7,149	Complete

Planned maintenance and regulatory works monitor

Site	Works	Q3 Virements	Revised budget Q3	Q4 Virements	Revised budget Q4	Actuals year to date	Outstanding commitments	Total actuals and commitments	Expend. Forecast	under/ overspend	Notes
Town Hall	Urgent lift repairs		10,000		10,000			0	10,000	0	Urgent works to Lift 1 are complete but not yet invoiced. Works to controls for lift mechanisms are > 20 nyears old and these may need to be included in future works.
		0	317,343	0	317,343	86,028	44,219	130,247	318,646	1,303	
	Fire risk assessments and remedial works		20,000	0	20,000	6,470	8,090	14,560	20,000	0	WIP
	Remedial electrical works and 5 yearly testing		18,000	0	18,000	13,153	8,650	21,803	21,803	3,803	Works to be completed by Q4. Spend 1617 only 5 yearly tests. 17/18 work will be remedial works highlighted from tests
	Asbestos		15,000	0	15,000	3,970		3,970	10,000	-5,000	WIP.
	Energy efficiency		13,375		13,375	2,395		2,395	13,375	0	Includes smart meters.
	Water efficiency		10,000		10,000	195		195	10,000	0	No works YTD. Work may be scheduled for 17/18 against this budget
	Watercourses		5,000	0	5,000	0	0	0	5,000	0	No works YTD
		0	81,375	0	81,375	26,183	16,740	42,923	80,178	-1,197	
	TOTALS	0	398,718	0	398,718	112,211	60,959	173,170	398,824	106	

CAPITAL PROGRAMME 2017/18

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Lee Duffy or Lesley Shields
<u>Annexes/Appendices</u> (attached):	Annexe 1: Recommended Capital Programme Annexe 2: Four year Capital Reserves Forecast Annexe 3: Summary of bids considered by the Capital Member Group
<u>Other available papers</u> (not attached):	Capital bids Notes of Capital Member Group

REPORT SUMMARY

This report seeks guidance from the Panel on the preparation of the draft capital programme for 2017/18 and on funding to be released for capital investment.

RECOMMENDATION (S)

That, based on the advice of the Capital Member Group, the following capital programme for 2017/18 to be considered by Council in February:-

- (1) Prioritised schemes totalling £714,000 are added to the capital programme and funded from capital reserves £643,000, S106 developer contributions £46,000 and revenue reserves £25,000, subject to the relevant policy committees receiving and approving project appraisals;**
- (2) Schemes totalling £535,000 are included in the capital programme, subject to external funding sources and subject to support for scheme appraisals by the relevant policy committees;**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 The Council's Medium Term Financial Strategy includes the following in regards to investment in services:-

- Prioritise capital investment to ensure retained property is fit for purpose.

- Maximise the use of external funding opportunities to deliver improvements to the community infrastructure, including affordable housing.
- Maintain a minimum uncommitted level of capital reserves of £1 million at 31 March 2018.

2 Background

- 2.1 The Financial Policy Panel agreed that a Capital Member Group (CMG) should meet to review the capital programme. The Panel agreed that the CMG would comprise Councillors Neil Dallen, Eber Kington, Omer Kokou-Tchri, John Beckett and Barry Nash.
- 2.2 The Capital Member Group met in September and agreed the arrangements for the capital programme review and received a list of potential projects. The Group agreed the criteria for progressing bids and excluded outline projects that would not qualify under the approved capital strategy.
- 2.3 Project appraisals were updated by budget managers and prioritisation re-assessed by the officer Capital Management Group. The officer group also advised on proposals which should not be progressed, for example where proposals did not qualify as capital expenditure.
- 2.4 In November the Capital Member Group met to validate the bids and to recommend the schemes that should be progressed through the policy committees in January.
- 2.5 In reviewing the capital programme the CMG assessed all capital appraisals but focused on prioritised items for 2017/18 covering the following schemes:-
 - 2.5.1 Investment required to meet statutory obligations
 - 2.5.2 Investment essential for service delivery
 - 2.5.3 Investment that can be funded from external funds and is classed as a high priority (section 106 agreements or grants)
 - 2.5.4 Investment that will provide net revenue savings (spend to save)
- 2.6 The Medium Term Financial Strategy also requires that the Council retains a minimum level of capital reserves of £1 million.

3 Draft Programme

- 3.1 The Capital Member Group received bids for 2017/18 of £2.859 million and after review reduced the recommended bids to £1.249 million. **Annexe 1** comprises a summary of the capital programme recommended by the Capital Member Group.

3.2 The proposed programme for 2017/18 comprises:-

	£000s
Core Programme of Priority Works (funded by reserves or grant)	714
Schemes to be progressed subject to external funding being achieved	535
Total	1,249

3.3 The funding recommended comprises:-

	£000s
Use of Capital Reserves for Core Programme	643
Use of Revenue Reserves for Core Programme	25
Use of S106 developer contributions	46
Use of grants for externally funded schemes	535
Total	1,249

4 Capital Reserves

4.1 The forecast of capital reserves shows that the balance as at 31 March 2017 would be £2.6 million.

4.2 The capital reserves forecast at **Annexe 2** has been updated for the next three years using the following assumptions:-

4.2.1 The current approved capital programme is delivered this year;

4.2.2 No new capital receipts included within forecast balance of capital reserves.

4.2.3 The proposed three year capital programme (2017-2020) proceeds, as per **Annexe 1**.

4.2.4 External funding for Disabled Facility Grant is assumed at £535,000 per annum.

4.2.5 Expenditure on e-government and other information technology is kept within budget and individual schemes are monitored within this sum.

5 New Homes Bonus and Community Infrastructure Levy (CIL)

5.1 The New Homes Bonus Strategy agreed last year allowed for £500,000 to be used annually to finance capital projects. Due to uncertainties surrounding this area of funding for 2017/18 none of the capital programme for 2017/18 onwards is being financed by New Homes Bonus.

- 5.2 The Council has been administering CIL since July 2015 and it is proposed that current receipts will be earmarked for financing Plan E - Phase 1 (£476,009) and subsequent phases, and the potential Kiln Lane Link Road.

6 Government Grants

- 6.1 For the purpose of the capital programme it is assumed that the Better Care funding for the disabled facility grant programme will be £535,000 for 2017/18.

7 Core Programme Funded from Capital Reserves

- 7.1 The Capital Member Group carefully considered the bids submitted and confirmed that only prioritised schemes should be considered for funding from capital reserves or schemes where investment would generate savings. This required a pay-back within 5 years (7 years for energy initiatives).
- 7.2 The proposed core programme proposed for 2017/18 requiring funding from capital reserves is as follows:-

Scheme/Funding from Capital Reserves	£'000s
Installation of LED Lighting Various Sites	21
ICT Programme of Work	250
ICT - Legal Case Management System	20
Container Replacement Programme	68
Improvement Works (Depot Rd) & Pay Machines (Depot Rd & Upper High St) Car Parks	174
Rosebery Park Pond Refurbishment	110
Total proposed capital programme 2017/18 funded from reserves	643

- 7.3 The CMG noted that the schemes would be considered by the policy committees in January as part of the capital programme review.
- 7.4 The CMG agreed that the replacement of Wyse boxes (£70,000) submitted as part of the £250,000 ICT Programme of work should be subject to an option appraisal by the Leadership Team. The outcome of that review will be reported back to CMG in time for the Council meeting in February 2017.

8 External Funding

- 8.1 S106 money is a useful source of funding for smaller schemes and for affordable housing. One S106 funded scheme is proposed as part of this programme. In addition the Council receives a fixed government grant allocation for disabled facility grants via the Better Care Fund. The following table shows capital schemes where external funding has been identified to enable schemes to proceed in 2017/18:-

Scheme	Estimate (£000)	Funding
Alexander Recreation Ground - Tennis & Basketball Court Refurbishment	46	Outdoor sports facility S106 funding from various developer contributions.
Mandatory Disabled Facility Grants	535	See section 6 of this report.
Total externally funded schemes	581	

8.2 It is proposed that these schemes be added to the capital programme, subject to support by the relevant policy committee, receipt of external funds and the identification of funding for any revenue implications within approved budgets.

9 Schemes Funded from Revenue Reserves

9.1 In ensuring that capital reserves do not fall below £1 million it was recommended that one scheme be funded from the Council's Repairs & Renewals fund, this is;

9.2 The waste strategy containers project for £50,000 over two years is fully funded from operational services R&R fund for 2016/17 (£25,000) and 2017/18 (£25,000).

10 Proposals

10.1 The Panel is asked to confirm the recommendations of the Capital Member Group for consideration by the policy committees in January 2017 and ultimately approval by Council in February 2017:-

10.2 Schemes, identified in section 7, totalling £643,000 and funded from capital reserves should be included in the capital programme, subject to the relevant policy committees receiving and approving project appraisals;

10.3 Schemes identified in section 8 totalling £581,000 be included in the capital programme subject to support for the project appraisals by the relevant policy committees and subject to external funding being received before expenditure is committed.

10.4 Schemes listed in section 9 totalling £25,000 and funded from capital reserves should be included in the capital programme, subject to the relevant policy committees receiving and approving project appraisals.

11 Financial and Manpower Implications

11.1 As highlighted in this report, any scheme not attracting full external funding will have a revenue budget impact.

- 11.2 The policy committees will receive appraisals for 2017/18 projects in January, including revenue cost implications.
- 11.3 If all schemes are progressed between 2017 and 2020 the estimated level of reserves will fall from £4.4 million (1 April 2016) to £1.6 million (31 March 2020). This is a sufficient level of contingency, however members should note the following risks:
- 11.3.1 Should additional unavoidable projects arise during the period, schemes would either need to be shelved, assets disposed of to generate additional receipts or a borrowing strategy considered.
- 11.3.2 Interest earned on balances and available to help fund services has already reduced due to low interest rates, but will fall further as capital reserves are depleted. The projected use of reserves over the three year period is £1.084 million, with an average medium term rate of say 3% over this period it will reduce revenue funding by £32,520 per annum.
- 11.3.3 The proposed programme for 2017/18 will require £643,000 for the core capital programme which comprises mandatory and other prioritised expenditure. In the long term this will give an annual cost of £19,290 in lost interest (3% used for long term rate).
- 11.4 Capital reserves will reduce next year as a result of capital funding for new schemes by £643,000. The estimated level of capital reserves is £2.6 million at 31 March 2017 and £2 million at 31 March 2018.
- 11.5 **Chief Finance Officer's comments:** *All financial implications have been included within the body of this report.*

12 Legal Implications (including implications for matters relating to equality)

- 12.1 Investment is needed in Council buildings and other assets to ensure that working environments are suitable and that health and safety standards are maintained towards users of the service.
- 12.2 **Monitoring Officer's comments:** *There are generally no legal implications arising from this report. Where works are proposed on grounds of health & safety, it is important to have proper regard to our statutory obligations before making a decision.*

13 Risk Assessment

- 13.1 The main risks are that (a) the additional investment from capital reserves will provide reduced funding support for service delivery in future years, or (b) support from government grants will reduce, affecting the ability to continue to invest in statutory services and that investment is not sufficient to meet statutory obligations or meet the highest resident priorities.

- 13.2 With limited capital receipts available to fund investment, the CMGs proposals try to balance the risk by measuring essential investment needs against resource limitations. Business case investment has been prioritised where it demonstrates a payback within 5 years or 7 years for renewable energy projects.
- 13.3 In the long term the Council will need to consider alternative funding sources to finance capital investment or the further sale of Council assets.

14 Conclusion and Recommendations

- 14.1 Capital Member Group recommends that the capital programme outlined in this report for 2017/18 be considered by Council in February as follows:
- 14.1.1 That prioritised schemes totalling £714,000 are added to the capital programme and funded from capital reserves £643,000, £46,000 S106 developer contributions and revenue reserves £25,000, subject to the relevant policy committees receiving and approving project appraisals;
- 14.1.2 That schemes totalling £535,000 are included in the capital programme, subject to external funding sources and subject to support for scheme appraisals by the relevant policy committees.
- 14.2 The replacement of Wyse boxes (£70,000) submitted as part of the £250,000 ICT Programme of work will be subject to an option appraisal by the Leadership Team. The outcome of that review will be reported back to CMG in time for the Council meeting in February 2017.

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Summary Proposed Capital Programme 2017/18 - 2019/20

	Original Budget 2017/18 £'000	Proposed Budget 2018/19 £'000	Proposed Budget 2019/20 £'000	Total Provision 2017/18- 2019/20 £'000
Strategy and Resources Committee	291	97	0	388
Environment Committee	267	344	0	611
Community & Wellbeing Committee	691	535	535	1,761
Total	1,249	976	535	2,760

Strategy and Resources Committee Proposed Capital Programme 2017/18 - 2019/20

	Original Budget 2017/18	Proposed Budget 2018/19	Proposed Budget 2019/20	Total Provision 2017/18- 2019/20
	£'000	£'000	£'000	£'000
Installation of LED Lighting Bourne Hall	21	0	0	21
ICT Programme of Work	250	0	0	250
ICT - Legal Case Management System	20	0	0	20
Epsom Business Hub	0	30	0	30
ICT - Financial Management System Upgrade	0	67	0	67
Total Strategy & Resources	291	97	0	388

Environment Committee Proposed Capital Programme 2017/18 - 2019/20

	Original Budget 2017/18 £'000	Proposed Budget 2018/19 £'000	Proposed Budget 2019/20 £'000	Total Provision 2017/18- 2019/20 £'000
Container and Bin Replacement Programme	68	0	0	68
Waste Strategy Containers (The Big Switch)	25	0	0	25
Improvement Works (Depot Rd) & Pay Machines (Depot Rd & Upper High St) Car Parks	174	0	0	174
Ashley Centre Car Park-Upgrade levels 4a & 4b with deckshield waterproofing	0	184	0	184
Hope Lodge Car Park Extension	0	97	0	97
St Marys Churchyard Wall Repairs	0	63	0	63
Total Environment Committee	267	344	0	611

Community & Wellbeing Committee Proposed Capital Programme 2017/18 - 2019/20

	Original Budget 2017/18 £'000	Proposed Budget 2018/19 £'000	Proposed Budget 2019/20 £'000	Total Provision 2017/18- 2019/20 £'000
Rosebery Park Pond Refurbishment	110	0	0	110
Alexander Recreation Ground - Tennis & Basketball Court Refurbishment	46	0	0	46
Disabled Facilities Grants	535	535	535	1,605
Total Community & Wellbeing Committee	691	535	535	1,761

CAPITAL RESERVES 2015-2020

	Actual 2015/16 £000	Original Estimate 2016/17 £000	Carry Forward £000	Approved Schemes £000	Revised Programme 2016/17 £000	Draft Bids 2017/18 £000	Draft Bids 2018/19 £000	Draft Bids 2019/20 £000
CAPITAL RECEIPTS								
Unapplied capital reserves b/f at year start	3,498				4,388	2,637	1,994	1,553
New Disposals	989				-	-	-	-
Capital Receipt/Repayment	653				-	-	-	-
Mortgage principal repayment					-	-	-	-
Capital Reserves before funding capital programme	5,139	-	-		4,388	2,637	1,994	1,553
CAPITAL PROGRAMME FUNDING								
Capital programme as per policy book	4,400							
Increased Capital Expenditure	704							
Carry forward of programme into 2015/16	3,136							
Additional Funded Schemes 2015/16	1,828							
Slippage into 2016/17	2,065		2,065		2,065			
Capital programme - 2016/17 Bids		1,031			1,031	-	-	-
Projects Approved In Year								
PlanE				312	312			
Lower Mill Wier				25	25			
Blenheim Road Refurbishment				227	227			
ICT - Datacentre				140	140			
Draft Capital Programme 2017/18-2019/20 - Bids Supported by Capital Member Group						1,249	976	535
Sub Total	2,939	1,031	2,065	703	3,799	1,249	976	535
External Funding for Capital Schemes								
Section 106 Receipts & private contributions	408		836	538	1,375	46	-	-
Government Grants - Disabled Facility Grant	273	286	68		354	535	535	535
From other public bodies/organisations	1,088		259		259	-	-	-
Revenue	419	50	10		60	25	-	-
Sub-Total	2,188	336	1,173	538	2,047	606	535	535
Estimated Use of Capital Reserves	751	695	892	165	1,752	643	441	-
Estimated Capital Reserves at year end	4,388				2,637	1,994	1,553	1,553

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SUMMARY OF CAPITAL MEMBER GROUP RECOMMENDATIONS										2018/19		2019/20		
Bid Ref	Description of Scheme	2017/18	Capital Reserves	Capital Reserves - Spend to Save	S106/CIL Contributions	Grants	Other External Funding	Revenue Reserves	Agreed/Subject to Funding/ Declined	Comments	Capital Spend	Capital Reserves	Capital Spend	Capital Reserves
		£,000	£,000	£,000	£,000	£,000	£,000	£,000			£'000	£'000	£'000	£'000
Recommended Schemes														
S&R Bid 1	Installation of LED Lighting Various Sites	21		21					Agreed	Supported as a spend to save project.				
S&R Bid 2	ICT Programme of Work	250	250						Agreed	Supported for business continuity. CMG agreed that Leadership Team carry out an option appraisal for the replacement of Wyse boxes (£70k included in this bid) The results will be reported back to a special Capital Management Group before the February Council meeting.				
S&R Bid 3	ICT - Legal Case Management System	20	20						Agreed	Supported to facilitate business efficiencies.				
Environment Bid 1	Container Replacement Programme	68	68						Agreed	Supported for business continuity.				
Environment Bid 2	Waste Strategy Containers (The Big Switch)	25	-					25	Agreed	Supported in order to facilitate change in refuse service delivery.				
Environment Bid 4/5	Improvement Works (Depot Rd) & Pay Machines (Depot Rd & Upper High St) Car Parks	174	174						Agreed	Supported for business continuity.				
Community & Wellbeing Bid 1	Rosebery Park Pond Refurbishment	110	110						Agreed	Investment essential for service delivery.				
Community & Wellbeing Bid 2	Alexander Recreation Ground - Tennis & Basketball Court Refurbishment	46	-		46				Agreed	Fully externally funded.				
Recommended Schemes		714	622	21	46	-	-	25			-	-	-	-
Recommended Schemes (Subject to Funding)														
Community & Wellbeing Bid 3	Disabled Facilities Grants	535	-	-	-	535	-	-	Agreed	Supported subject to external funding.	535	-	535	-
Recommended Schemes (Subject to Funding)		535	-	-	-	535	-	-			535	-	535	-
TOTAL SUPPORTED SCHEMES		1,249	622	21	46	535	-	25			535	-	535	-
Non-Recommended Schemes														
S&R Bid 4	ICT - Online Parking Permit System	19	19						Rejected	Considered revenue.	-	-	-	-
S&R Bid 5	ICT - Financial Management System Upgrade								Rejected	Programme deferred for 1 year - Bid submitted was for 2018/19. Bid will be resubmitted to CMG in 2018/19 for approval.	67	67	-	-
S&R Bid 6	Epsom Business Hub								Rejected	Programme deferred for 1 year - Insufficient information available to approve the bid. Bid will be resubmitted to CMG in 2018/19 for approval.	30	30	-	-
S&R Bid 7	Feasibility Study PlanE (Phase2)	80			40		40		Rejected	Revenue project - presented to Joint Infrastructure Group for funding agreement.	-	-	-	-
Environment Bid 3	Ashley Centre Car Park-Upgrade levels 4a & 4b with deckshield waterproofing								Rejected	Programme deferred for 1 year - This bid was withdrawn by officers until the Council's asset strategy for The Ashley Centre has been agreed.	184	184	-	-
Environment Bid 6	Hope Lodge Car Park Extension								Rejected	Programme deferred for 1 year - Bid will be resubmitted to CMG in 2018/19 for approval once the impact of the Depot Road Car Park improvements can be assessed.	97	97	-	-
Environment Bid 7	St Marys Churchyard Wall Repairs								Rejected	Programme deferred for 1 year - Bid will be resubmitted to CMG in 2018/19 for approval.	63	63	-	-
TOTAL REJECTED/DEFERRED SCHEMES		99	19	-	40	-	40	-			441	441	-	-
TOTAL SCHEMES		1,348	641	21	86	535	40	25			976	441	535	-

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