

CAPITAL MEMBER GROUP

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	None
Other available papers (not attached):	Capital Strategy 2019/20 Budget Book 2019/20

Report summary

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, approve an increase in budget of the Disabled Facilities programme and to agree the capital bidding process for 2020/21 to 2022/23.

Recommendation (s)

That the Committee:

- (1) Appoints Members to the Capital Member Group;**
- (2) Approves the increase in budget of £42,090 for the Disabled Facilities programme, in line with the allocation of central government grant funding;**
- (3) Confirms the criteria for considering capital bids as set out in paragraph 9.1;**
- (4) Confirms the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.**

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

- 1.1 The Strategy and Resources Committee agreed as a key service priority the current Medium Term Financial Strategy for 2016/20. The MTFS includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

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2 Background

- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2020/21 at the December meeting. Service project appraisals are then presented to the policy committees in January and schemes receiving support will be included in the Budget and Council Tax report for Council approval in February 2020.
- 2.2 The Capital Member Group (CMG) co-ordinate the preparation of the new capital programme and review funding, including capital reserves, new capital receipts, grants, Community Infrastructure Levy and Section 106 (planning gain) receipts.
- 2.3 In view of public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety considerations or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

3 Capital Member Group

- 3.1 The Capital Member Group is a working group, appointed by the Strategy and Resources Committee to oversee the work of the officer capital management group (Leadership Team) and review the capital strategy to validate criteria applied to capital project appraisals.
- 3.2 Membership criteria for the Capital Member Group is as follows:
 - 3.2.1 There should be five members on CMG;
 - 3.2.2 Meetings should be chaired by the Chair of Strategy and Resources Committee;
 - 3.2.3 CMG members should be drawn from members of the Financial Policy Panel;
 - 3.2.4 CMG may include committee chairs;
 - 3.2.5 CMG should include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chair), Barry Nash, Omer KoKou-Tchri, Clive Smitheram and Richard Baker.

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4 Capital Programme Review Timetable

- 4.1 The proposed capital programme review timetable is shown below with provisional dates for the Capital Member Group meetings. These dates are subject to confirmation with the new members of the Group.

Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	Wednesday 4 September 2019
Review full project appraisals, funding and draft report for Financial Policy Panel.	Wednesday 13 November 2019

- 4.2 As in previous years some of the work for the group may be during daytime working hours. It is initially proposed that meetings will be held at 4pm.

5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2019/20, as approved at Full Council in February 2019, is £1.114 million, of which £364k is funded from capital receipts, £100k from revenue contributions and £650k from central government grant.
- 5.2 Budgets totalling £4.91 million, funding projects from the 2018/19 capital programme which have not yet completed, have provisionally been rolled forward into 2019/20 (subject to this Committee's approval within the Financial Outturn report). The funding sources of these projects are £1.088 million from capital receipts, £63k from S106, £3.265 million from CIL, £475k from central government grant and £19k Residential Property reserve.
- 5.3 The balance on the capital receipts reserve is expected to be at £2.6 million after agreed funding for the 2019/20 capital programme is accounted for. No new capital receipts are currently anticipated for 2019/20.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2019 was £931k of which £726k is for affordable housing with the bulk of the £205k balance being for open spaces. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2019 was £685k, the utilisation of which is determined by Strategy & Resources Committee after receiving recommendations from the Joint Infrastructure Group, which comprises of both Borough and County Members.

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6 Budget for Disabled Facilities Grant Funded Schemes

- 6.1 Each year Epsom & Ewell is allocated grant from central government to fund works to homes in the borough to enable people with disabilities to continue living in their own home. The budget set for 2019/20 was £650k and was based on the 2018/19 allocation.
- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2019/20 which is £692,090, £42,090 more than the estimated budget agreed by Full Council in February 2019.
- 6.3 Members are asked to approve additional budget of £42,090 for the Disabled Facilities Grant funded scheme for the 2019/20 capital programme, to match the central government allocation. Additional staffing resources have been made available to assist in the delivery of this scheme.

7 The Roles of the Capital Member Group and the Leadership Team

- 7.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2020/21 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 Leadership Team will meet to review the full bids on 8 October 2019 to ensure they meet the requirements of the member group. Each scheme will be evaluated for suitability for inclusion within the capital programme and presented to Capital Member Group in November.
- 7.3 The CMG also receives the recommendations of the Leadership Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

8 Capital Bidding Process 2020/21 to 2022/23

- 8.1 The timetable below identifies each stage of the 2020/21 capital programme:

Action	Deadline
Initial Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	26 July 2019
Capital Member Group meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November	4 September 2019
Full Bid Capital Appraisal Forms updated and distributed	6 September 2019

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Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	27 September 2019
Leadership Team Workshop (to review schemes and discuss with project managers)	8 October 2019
Capital programme update reports drafted for Capital Member Group and first draft for Financial Policy Panel (FPP)	6 November 2019
Capital Member Group review of appraisals, funding and draft FPP report	13 November 2019
Dispatch for FPP	25 November 2019
Financial Policy Panel advises on capital funding and schemes to be released for 2020/21	3 December 2019
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	21 – 30 January 2020
Council Agrees Budget and Capital Programme	13 February 2020

9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £2.6 million after funding this year's capital programme it is proposed that potential bids should only be considered if they meet one of the following;
- 9.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.
 - 9.1.2 Spend to save projects (see below).
 - 9.1.3 Where it is mandatory for the Council to provide the scheme (e.g. Disabled Facilities Grant and Health and Safety).
 - 9.1.4 Minimum required to continue to deliver the services of the Council (e.g. minimum level of building maintenance and IT).
- 9.2 For the purpose of appraising any of the bids funded as a 'spend to save' it is proposed that the criteria set in previous years should be applied;
- 9.2.1 Payback of the amount capital invested within the project within 5 years (7 years for renewable energy projects).
 - 9.2.2 The return required on capital employed should be linked to the potential cost of borrowing (MRP) rather than potential loss of investment income.
 - 9.2.3 Risk of not achieving return on investment is low.
 - 9.2.4 Clear definition of financial cost/benefits of the scheme.

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10 Proposals

10.1 The Committee is asked to appoint five Members to the Capital Member Group in line with the criteria set out in paragraph 3.2. It is proposed that the following nominated Members are appointed:

- Councillor Eber Kington (Chairman) (RA)
- Councillor Neil Dallen (RA)
- Councillor Colin Keane (RA)
- Councillor Barry Nash (RA)
- 1 opposition party representative

10.2 The 2019/20 budget for the Disabled Facilities programme was agreed by Full Council in February 2019 in line with the 2018/19 allocation, as the 2019/20 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2019/20 grant allocation as advised by central government.

10.3 Given the limited capital resources detailed in paragraph 5.3, the Committee is asked to agree the approach set out in section 9 to determine which capital bids are successful.

11 Financial and Manpower Implications

11.1 All implications are included in the body of the report.

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

12.1 There are no legal implications arising from the contents of this report.

12.2 **Monitoring Officer's comments:** None arising from the contents of this report.

13 Sustainability Policy and Community Safety Implications

13.1 There are no implications for the purpose of this report.

14 Partnerships

14.1 There are no implications for the purpose of this report.

15 Risk Assessment

15.1 All major projects are subject to risk assessment.

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16 Conclusion and Recommendations

- 16.1 To facilitate the scrutiny and selection of capital projects to be included in the 2019/20 capital programme, it is recommended that a Capital Member Group, be appointed by this Committee. The Group will need to have consideration of the finite nature of the Council's capital resources, and it is therefore proposed that the Group limit schemes for inclusion in the capital programme to those that are a prioritised service, are essential to keep services running or which meet health and safety requirements. Any other schemes will need to be self-financing, via external contributions or revenue savings within a set timescale.
- 16.2 The Committee is asked to agree to increase the Disabled Facilities Grant programme budget for 2019/20 in line with the grant allocation determined by central government. This grant is ring-fenced for this purpose and funds not allocated to this purpose would have to be returned to central government.

Ward(s) affected: (All Wards);