

CAPITAL PROGRAMME 2020/21

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):	Annex 1: Capital Bids Ranked in Order of Priority and Revised Programme Annex 2: Capital Reserves Forecast
Other available papers (not attached):	Capital bids S106 and CIL Update Report to FPP 3 December 2019

Report summary

This report summarises the proposed 2020/21 capital programme and seeks the Panel's approval for it to be submitted to Council in February 2020.

Recommendation (s)

That the Panel agrees with the advice of the Capital Member Group to submit the following 2020/21 capital programme to Council for approval in February, subject to the relevant policy committees first approving project appraisals:-

- (1) Prioritised schemes totalling £908,000, funded from capital receipts of £651,000; S106 funds of £23,000; revenue reserves of £34,000; and a budgeted revenue contribution of £200,000.**
- (2) A Disabled Facilities Grant scheme totalling £600,000, subject to external funding sources.**

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:-

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- 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.

2 Background

- 2.1 At its meeting on 30 July 2019, the Strategy and Resources Committee considered appointments to a Capital Member Group (CMG) to assist in the formulation of the new capital programme. Accordingly, the Committee appointed Councillors Eber Kington, Neil Dallen, Colin Keane, Barry Nash, and David Gulland.
- 2.2 The Capital Member Group met in September and received a list of potential projects. Using the criteria set out in the report to S&R Committee in July, the Group excluded outline projects that would not qualify under the approved capital strategy.
- 2.3 Project appraisals were updated by budget managers and full bids considered by the Leadership Team in October. The officer group suggested amendments to the bids and also advised on a prioritisation of the proposals.
- 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 CMG focused on prioritised schemes for 2020/21 that meet at least one of the following agreed criteria:-
 - 2.5.1 Investment required to meet statutory obligations;
 - 2.5.2 Investment essential to maintain 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.

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3 Draft Programme

- 3.1 The Capital Member Group received twenty-six initial bids for 2020/21, totalling £3.429 million. Of these, eight bids totalling £766k were not selected to be taken forward by CMG and a further two totalling £565k were subsequently withdrawn by officers. The remaining sixteen bids were worked into detailed submissions for review by both senior officers at Leadership Team and by members on CMG.
- 3.2 After review and challenge of the sixteen remaining detailed bids at Leadership Team and CMG, eight were not supported, and the remaining eight have been put forward by CMG for the proposed programme. Appendix 1 comprises a summary of the capital programme recommended by the Capital Member Group.
- 3.3 The proposed programme for 2020/21 comprises:-

	£'000
Core Programme of Priority Works (funded by capital reserves and revenue*)	908
Scheme to be progressed subject to external funding being achieved	600
Total	1,508

- 3.4 The funding recommended comprises:-

	£'000
Use of Capital Receipts	651
Use of revenue contribution	200
Use of repairs and renewals reserve	34
Use of S106 developer contributions	23
Use of grants for externally funded schemes	600
Total	1,508

- 3.5 The draft 2020/21 revenue budget includes a £200k contribution to fund capital schemes, in order to slow the depletion of capital receipt reserves. This revenue funding is subject to Council approval in February of the proposed 2020/21 budget.

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4 Capital Reserves

- 4.1 The forecast of capital reserves shows that the balance as at 31 March 2020 would be £2.81 million, if the proposed programme is supported.
- 4.2 The capital reserves forecast at Annexe 2 has been updated for the next two years using the following assumptions:-
 - 4.2.1 The current approved capital programme is delivered this year in line with the current forecast.
 - 4.2.2 No new capital receipts are received over and above the £60k received to date.
 - 4.2.3 The proposed capital programme for 2020/21 proceeds as per annex 1.
 - 4.2.4 A £200k revenue contribution in 2020/21 to fund the proposed capital programme.
 - 4.2.5 External funding for the Disabled Facilities Grant is assumed at £600k for 2020/21.

5 Community Infrastructure Levy (CIL) and S106

- 5.1 A report to the panel on the same agenda provides an update of CIL and S106 balances. There are no projects to be funded by CIL within the proposed Capital Programme for 2020/21, and one scheme to be funded by S106. The update report highlights the limited balance of CIL and S106 funds currently available for funding capital schemes, due to existing commitments.
- 5.2 Uncommitted S106 balances, as detailed in the update report, stand at £1.34 million of which £1.13 million are restricted to Affordable Housing schemes. Uncommitted CIL balances stand at £1.3 million within the main fund, and £414k within the community fund.

6 Core Programme Funded from Capital Reserves

- 6.1 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).
- 6.2 The proposed core programme proposed for 2020/21 requiring funding from capital reserves is as follows:-

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Scheme/Funding from Capital Reserves & Revenue	2020/21
	£'000
ICT Programme of Works	250
Clocktower Envelope Repairs	100
Hogsmill streams and horse pond repairs	292
Hook Road Multi-storey Car Park – Replacement surface covering to roof level	80
Playhouse refurbishment	128
Bourne Hall Bungalow Roof Covering	35
Outdoor Gym Equipment in Chessington Road	23
Total	908

6.3 The CMG noted that the schemes would be considered by the policy committees in January as part of the capital programme review.

7 External Funding

7.1 The Council receives a fixed government grant allocation for disabled facility grants (DFG) via the Better Care Fund. The following table shows capital schemes where external funding has been identified to enable schemes to proceed in 2020/21:-

Scheme	Estimate (£'000)	Funding
Mandatory Disabled Facilities Grants	600	Better Care Fund DFG
Total externally funded schemes	600	

7.2 The amount in the table above is an estimate of the funding anticipated for 2020/21 and the exact amount is expected to be communicated in April 2020. Once the exact amount is confirmed, the budget in the capital programme will be adjusted accordingly.

7.3 It is proposed that this scheme 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.

8 Proposals

8.1 The Panel is asked to confirm the recommendation of the Capital Member Group:-

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8.1.1 Schemes, identified in section 6, totalling £908k in 2020/21 and funded from capital reserves, revenue and S106 should be included in the capital programme, subject to the relevant policy committees receiving and approving project appraisals;

8.1.2 Schemes identified in section 7 totalling £600k 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.

9 Financial and Manpower Implications

9.1 The policy committees will receive appraisals for 2020/21 projects in late January and early February, including revenue cost implications.

9.2 If all schemes are progressed between 2020 and 2023 the estimated level of capital receipts reserves will fall from £2.81 million at 1 April 2020 to £2.15 million at 31 March 2021. This is a sufficient level of contingency in the short term. For the longer term, the Council is building annual revenue contributions to fund capital expenditure, into the draft Medium Term Financial Strategy, in order to support a sustainable capital programme for the future. However members should note the following risks;

9.2.1 Should additional unavoidable projects arise during the period, schemes may either need to be shelved, assets disposed of to generate additional receipts or a borrowing strategy considered.

9.2.2 Interest earned on cash balances and available to help fund services may reduce as capital reserves are depleted. The projected use of reserves over the period is up to £908k; with an average medium term rate of 1% over this period it could reduce revenue funding by £9,080 per annum.

9.3 **Chief Finance Officer's comments:** All financial implications have been included within the body of this report.

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

10.1 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.

10.2 **Monitoring Officer's comments:** None for the purposes of this report.

11 Sustainability Policy and Community Safety Implications

11.1 There are no specific issues for the purposes of this report.

12 Partnerships

12.1 There are no specific issues for the purposes of this report.

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13 Risk Assessment

- 13.1 The main risks are that (a) the additional investment from capital reserves will reduce the funding available to support 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 CMG's 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 is considering alternative funding sources to finance capital investment or the further sale of Council assets. The Medium Term Financial Strategy will aim to address this by proposing revenue contributions to fund capital expenditure from 2020/21, in order to reduce the reliance on capital receipts.

14 Conclusion and Recommendations

- 14.1 Capital Member Group recommends that the capital programme outlined in this report for 2020/21 be considered by Council in February.
- 14.2 That prioritised schemes totalling £908,000 for 2020/21 are added to the capital programme, funded from capital reserves and revenue, subject to the relevant policy committees receiving and approving project appraisals.
- 14.3 That schemes totalling £600,000 for 2020/21 are included in the capital programme, subject to external funding sources and subject to support for scheme appraisals by the relevant policy committees.

Ward(s) affected: (All Wards);