

CAPITAL PROGRAMME 2021/22

| | |
|---|---|
| Head of Service: | Lee Duffy, Chief Finance Officer |
| Wards affected: | (All Wards); |
| Urgent Decision?(yes/no) | No |
| If yes, reason urgent decision required: | N/A |
| Appendices (attached): | Appendix 1: Capital Bids Ranked in Order of Priority and Revised Programme Appendix 2: Capital Reserves Forecast |

Summary

This report summarises the proposed 2021/22 capital programme and seeks the Panel's approval for it to be submitted to Council in February 2020.

Recommendation (s)

The Panel is asked to agree:

With the advice of the Capital Member Group to submit the following 2021/22 capital programme to Council for approval in February 2021, subject to the relevant policy committees first approving project appraisals:-:

- (1) Prioritised schemes totalling £885,000, funded from Community Infrastructure Levy receipts of £500,000; S106 funds of £110,000; a budgeted revenue contribution of £255,000; and external grant of £20,000, subject to a successful grant application.**
- (2) A Disabled Facilities Grant scheme totalling £600,000, subject to external funding sources.**

1 Reason for Recommendation

- 1.1 To seek the Panel's approval to submit the proposed capital programme for 2021/22 to Council in February 2021.

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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 Kate Chinn.
- 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 2021/22 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).
 - 2.5.5 Where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.
- 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 initial bids for 2021/22, totalling £4.87 million. Of these, twelve bids totalling £1.9 million were not selected to be taken forward by CMG. The remaining eight bids were worked into detailed submissions for review by both senior officers at Leadership Team and by members on CMG. One of these bids for drainage works to football pitches was split into two, to allow the two different pitches to be considered independently, therefore nine bids in total were considered.
- 3.2 After review and challenge of the nine remaining detailed bids at Leadership Team and CMG, two were not supported, and the remaining seven 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 2021/22 comprises: -

| | £'000 |
|--|--------------|
| Core Programme of Priority Works (funded by capital reserves and revenue*) | 885 |
| Disabled Facilities Grant Scheme to be progressed subject to external funding being achieved | 600 |
| Total | 1,485 |

- 3.4 The funding recommended comprises:-

| | £'000 |
|---|--------------|
| Use of Community Infrastructure Levy receipts | 500 |
| Use of planned revenue contribution | 255 |
| Use of S106 developer contributions | 110 |
| Use of grants for externally funded schemes | 620 |
| Total | 1,485 |

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- 3.5 The draft 2021/22 revenue budget includes a £300k 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 2021/22 budget. As the proposed capital programme for 2021/22 only requires £255k of the planned revenue contribution, it is recommended that the balance of £45k be held in a reserve to be used for future capital programmes.
- 3.6 Two projects within the 2021/22 programme meet the criteria for CIL funding, these are the Lamp Column replacement project and Improvements to Great Dam. These projects have therefore been included in the programme as to be funded from CIL receipts.

4 Capital Reserves

- 4.1 The forecast of capital reserves shows that the balance as at 31 March 2021 would be £2.57 million, if the proposed programme is supported.
- 4.2 The capital reserves forecast at Appendix 2 has been updated for the next two years using the following assumptions:-
- 4.2.1 The current approved programme is delivered this year in line with the current forecast.
- 4.2.2 No new capital receipts are received in this financial year, in line with current forecast.
- 4.2.3 The proposed capital programme for 2021/22 proceeds as per appendix 1.
- 4.2.4 £500k of CIL receipts is used to fund the two infrastructure projects in the programme.
- 4.2.5 £110k of S106 receipts for Outdoor Sports Facilities are used to fund the two sports facilities projects in the programme.
- 4.2.6 A £300k planned revenue contribution in 2021/22 to fund the proposed capital programme with a balance of £45k held in a reserve for future years.
- 4.2.7 External funding for the Disabled Facilities Grant is assumed at £600k for 2021/22.
- 4.2.8 A bid of £20k to the Football Foundation for football pitch drainage funding is successful.

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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 two projects to be funded by CIL within the proposed Capital Programme for 2021/22, and two schemes 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 £1.36 million of which £1.16 million are restricted to Affordable Housing schemes. Uncommitted CIL balances stand at £2.5 million within the main fund, and £605k 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 (10 years for energy initiatives).
- 6.2 The proposed core programme proposed for 2021/22 requiring funding from capital reserves is as follows:-

| Scheme/Funding from Capital Reserves & Revenue | 2021/22 |
|---|----------------|
| | £,000 |
| Planned revenue contribution | 255 |
| Community Infrastructure Levy | 500 |
| Section 106 Developer Contributions | 110 |
| Total | 865 |

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 2021/22:-

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| Scheme | Estimate (£'000) | Funding |
|--|-----------------------------|----------------------|
| Mandatory Disabled Facilities Grant | 600 | Better Care Fund DFG |
| Football Pitch Drainage | 20 | Football Foundation |
| Total externally funded schemes | 620 | |

- 7.2 The amount of Disabled Facilities Grant in the table above is an estimate of the funding anticipated for 2021/22 and the exact amount is expected to be communicated in April 2021. 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.
- 7.4 The grant from the Football Foundation is subject to a successful application. Should this application not be successful then it is proposed the balance of funding be met from Section 106 funds in the first instance.

8 Proposals

- 8.1 The Panel is asked to confirm the recommendation of the Capital Member Group:-
- 8.1.1 Schemes, identified in section 6, totalling £865k 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 £620k 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 Risk Assessment

Legal or other duties

- 9.1 Impact Assessment
- 9.1.1 None for the purposes of this report.
- 9.2 Crime & Disorder
- 9.2.1 None for the purposes of this report.

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9.3 Safeguarding

9.3.1 None for the purpose of this report.

9.4 Dependencies

9.4.1 Two projects within the proposed capital programme are dependent upon external funding. As a statutory duty, there is a high likelihood that the Disabled Facilities Grant will be granted, and if the amount differs to that agreed in the programme, the scale of the programme will be amended accordingly. Should the Football Foundation grant application be unsuccessful, then it is proposed to use Section 106 funds to fund the balance.

9.5 Other

9.5.1 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 10 years for renewable energy projects.

9.5.2 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 2021/22, in order to reduce the reliance on capital receipts.

10 Financial Implications

10.1 The policy committees will receive appraisals for 2021/22 projects in late January and early February, including revenue cost implications.

10.2 If all schemes are progressed between 2021 and 2024 the capital receipts reserves will remain at its estimated level of £2.57 million at 1 April 2021 at 31 March 2022. 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;

10.2.1 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.

10.2.2 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 £865k; with an average medium term rate of 0.5% over this period it could reduce revenue funding by £4,325 per annum.

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10.3 **Section 151 Officer's comments:** All financial implications have been included within the body of this report.

11 Legal Implications

11.1 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.

11.2 **Monitoring Officer's comments:** none arising from the contents of this report.

12 Policies, Plans & Partnerships

12.1 **Council's Key Priorities:** The following Key Priority is engaged: Effective Council.

12.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

12.3 **Climate & Environmental Impact of recommendations:** none for the purposes of this report.

12.4 **Sustainability Policy & Community Safety Implications:** none for the purposes of this report.

12.5 **Partnerships:** none for the purposes of this report.

13 Background papers

13.1 The documents referred to in compiling this report are as follows:

Previous reports:

- S106 and CIL Update Report to FPP 1 December 2020

Other papers:

- Capital bids