

## **CAPITAL MEMBER GROUP**

<b>Head of Service:</b>	Lee Duffy, Chief Finance Officer
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Appendices (attached):</b>	None

### **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 2022/23 to 2024/25.

### **Recommendation (s)**

**The Committee is asked to:**

- (1) Appoint Members to the Capital Member Group;**
- (2) Approve the increase in budget of £185,282 for the Disabled Facilities programme, in line with the allocation of central government grant funding;**
- (3) Approve the increase in budget of £8,525 and reduction in scope for the Ashley Centre Car Park Expansion Joints project;**
- (4) Confirm the criteria for considering capital bids as set out in paragraph 9.1;**
- (5) Confirm the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.**

## **1 Reason for Recommendation**

- 1.1 Full Council agreed the current Medium Term Financial Plan for 2020-24 in February 2020. The MTFP includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

## **2 Background**

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- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2022/23 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 2022.
- 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 the Council's limited capital resources, the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were essential for health and safety considerations or to keep services running. Any other schemes included within the capital programme should be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).
- 2.4 In January 2020 Council adopted the Climate Change Action Plan. A number of initiatives in the Plan are expected to require capital investment. As such, a new criteria was agreed in July 2020 to facilitate consideration of initiatives that support the Action Plan, as set out in paragraph 9.1.5.

### **3 Capital Member Group**

- 3.1 Recommended membership criteria for the Capital Member Group is as follows:
  - 3.1.1 There should be five members on CMG;
  - 3.1.2 Meetings should be chaired by the Chair of Strategy and Resources Committee;
  - 3.1.3 CMG members should be drawn from members of the Financial Policy Panel;
  - 3.1.4 CMG may include committee chairs;
  - 3.1.5 CMG should include opposition party representation.
- 3.2 Last year's membership of the Group comprised Councillors Eber Kington (Chair), Barry Nash, Neil Dallen, Colin Keane and Kate Chinn.

### **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.

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<b>Capital Member Group Action</b>	<b>Date</b>
Review initial bids and identify which should be worked into full bids for review in November.	Wednesday 8 September 2021
Review full project appraisals, funding and draft report for Financial Policy Panel.	Wednesday 10 November 2021

- 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. The meetings may need to be held virtually as a result of the Covid pandemic.

### **5 Overview of Existing Capital Programme and Financing**

- 5.1 The current approved programme for 2021/22, as approved at Full Council in February 2021, is £1.485 million, of which £255k is funded from revenue contributions, £110k from S106 contributions, £500k from CIL contributions, £20k provisionally from an external grant, and £600k from central government grant.
- 5.2 Budgets totalling £2.47 million, funding projects from the 2020/21 capital programme which have not yet completed, have provisionally been rolled forward into 2021/22 (subject to this Committee's approval within the Financial Outturn report). The funding sources of these projects are £922k from capital receipts, £1.13 million from CIL, £23k from S106, £34k from revenue reserves and £365k from central government grant.
- 5.3 The balance on the capital receipts reserve is expected to be at £2.59 million after agreed funding for the 2021/22 capital programme is accounted for. No new capital receipts are currently anticipated for 2021/22.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2021 was £1.811 million of which £1.719 million is for affordable housing. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2021 was £4.46m, 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.

### **6 Budget for the 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 2021/22 was £600k and was based on the 2020/21 allocation.

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- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2020/21 which is £785,282, £185,282 more than the estimated budget agreed by Full Council in February 2021.
- 6.3 Members are asked to approve additional budget of £185,282 for the Disabled Facilities Grant funded scheme for the 2021/22 capital programme, to match the central government allocation. Additional staffing resources have been made available to assist in the delivery of this scheme.

### **7 Budget for the Ashley Centre Car Park Expansion Joints Project**

- 7.1 In February 2021, Full Council approved a budget of £30,000 for the replacement of expansion joints across all five floors of the Ashley Centre Car Park. The works were considered necessary to prevent leakage of water into the units below, and must be carried out during the drier, warmer months.
- 7.2 Following a comprehensive tendering process, one quote was received which exceeded the agreed budget, but also highlighted that a different type of joint was required on the first floor due to heavy traffic in the location of the joints. To retender the works with the alternative joint specification would delay the project beyond the feasible timescale of the summer months this year, resulting in unacceptable levels of leakage.
- 7.3 The contractor has confirmed that the works on the top three floors of the car park can be completed within a budget of £38,525 which includes an appropriate contingency. The lower two floors are not currently causing concern and would be subject to a further capital bid at a later date, when the works are deemed necessary.
- 7.4 The change in scope and budget of the project requires Environment & Safe Communities Committee approval and has been agreed through delegated decision by the Chair due to the next Committee being 3 months away. This Committee is asked to approve the additional budget necessary to undertake these essential works.

### **8 The Roles of the Capital Member Group and the Leadership Team**

- 8.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2022/23 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 8.2 Strategic Management Team will meet to review the full bids in mid-October 2021 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.

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8.3 The CMG also receives the recommendations of the Strategic Management Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

### 9 Capital Bidding Process 2021/22 to 2023/24

9.1 The timetable below identifies each stage of the 2022/23 capital programme:

Action	Deadline
Initial Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	Monday 23 August 2021
<b>Capital Member Group meet to discuss approach and identify which of the potential bids should be worked into full bids for review in November</b>	<b>Wednesday 8 September 2021</b>
Full Bid Capital Appraisal Forms distributed	Friday 10 September 2021
Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	Monday 4 October 2021
Strategic Management Team review schemes	Mid-October 2021
<b>Capital Member Group review of appraisals, funding and draft FPP report</b>	<b>10 November 2021</b>
Financial Policy Panel advises on capital funding and schemes to be released for 2022/23	Tuesday 30 November 2021
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	18 – 27 January 2022
Council agrees Budget and Capital Programme	Tuesday 15 February 2022

### 10 Criteria for Consideration of Bids

10.1 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;

10.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.

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10.1.2 Spend to save projects (see below).

10.1.3 Where it is mandatory for the Council to provide the scheme (e.g. Disabled Facilities Grant and Health and Safety).

10.1.4 Minimum required to continue to deliver the services of the Council (e.g. minimum level of building maintenance and IT).

10.1.5 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.

10.2 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;

10.2.1 Payback of the amount capital invested within the project within 5 years.

10.2.2 The return required on capital employed should be linked to the potential cost of borrowing (MRP) rather than potential loss of investment income.

10.2.3 Risk of not achieving return on investment is low.

10.2.4 Clear definition of financial cost/benefits of the scheme.

## 11 Proposals

11.1 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 Colin Keane (Chairman) (RA)
- Councillor Neil Dallen (RA)
- Councillor Alex Colley (RA)
- Councillor John Beckett (RA)
- 1 opposition party representative.

11.2 The 2021/22 budget for the Disabled Facilities programme was agreed by Full Council in February 2021 in line with the 2020/21 budget, as the 2021/22 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2021/22 grant allocation as advised by central government.

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- 11.3 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.

### 12 Risk Assessment

Legal or other duties

#### 12.1 Impact Assessment

12.1.1 None for the purposes of this report.

#### 12.2 Crime & Disorder

12.2.1 None for the purposes of this report.

#### 12.3 Safeguarding

12.3.1 None for the purposes of this report.

#### 12.4 Dependencies

12.4.1 None for the purposes of this report.

#### 12.5 Other

12.5.1 None for the purposes of this report.

### 13 Financial Implications

- 13.1 **Section 151 Officer's comments:** All financial implications are included in the body of the report.

### 14 Legal Implications

- 14.1 There are no legal implications arising from the contents of this report.
- 14.2 **Monitoring Officer's comments: None arising from the contents of this report.**

### 15 Policies, Plans & Partnerships

- 15.1 **Council's Key Priorities:** The following Key Priorities are engaged: Strengthen the Council's financial independence.
- 15.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 15.3 **Climate & Environmental Impact of recommendations:** All bids will be required to state any contribution to the Council's Climate Change Action Plan.

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15.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this report.

15.5 **Partnerships:** None for the purposes of this report.

### 16 Background papers

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

**Previous reports:**

- None.

**Other papers:**

- Capital Strategy 2021/22.
- Budget Book 2021/22.