

# Financial Policy Panel

## 30 November 2021

### CAPITAL PROGRAMME 2022/23

<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>	<b>Appendix 1:</b> Capital Bids Ranked in Order of Priority and Revised Programme <b>Appendix 2:</b> 5-year Capital Programme <b>Appendix 3:</b> Capital Reserves Forecast

#### Summary

This report summarises the proposed 2022/23 capital programme and seeks the Panel's approval for it to be submitted to Council in February 2022.

#### Recommendation (s)

##### The Panel is asked to agree:

**With the advice of the Capital Member Group to submit the following 2022/23 capital programme to Council for approval in February 2022, subject to the relevant policy committees first approving project appraisals:-**

- (1) Prioritised schemes totalling £112,000, funded from a budgeted revenue contribution of £87,000; and repairs and renewals reserve of £25,000;**
- (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 2022/23 to Council in February 2022.

#### 2 Background

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- 2.1 At its meeting on 27 July 2021, 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 Colin Keane, Neil Dallen, Alex Coley, John Beckett and Kate Chinn.
- 2.2 The Capital Member Group met in September and received a list of twenty-seven 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 Senior Management Team in November. The officer group suggested recommendations for the funding of the bids and also advised on a prioritisation of the proposals.
- 2.4 On 10 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 2022/23 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, CIL receipts 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.

## 3 Draft Programme

- 3.1 The Capital Member Group received twenty-seven initial bids for 2022/23, totalling £4.51 million. Of these, nineteen bids totalling £2.8 million were not selected to be taken forward by CMG. Of the remaining eight bids, seven were worked into detailed submissions for review by both senior officers at Senior Management Team and by members on CMG. One of the bids for adaptation works to the Longmead Depot was withdrawn by officers, as an alternative solution to the space issue has been implemented.

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- 3.2 After review and challenge of the seven remaining detailed bids at Senior Management Team and CMG, three were not supported, and the remaining four 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 CMG recommended that two of the bids not put forward for the proposed programme for 2022/23, the Padel Tennis Courts and ICT Programme of Works should be taken separately to their respective policy committees (Community and Wellbeing and Strategy and Resources) to enable more detail to be included and considered by those committees before the final approval is given to progress the schemes. For ICT, a proposed four-year rolling programme, in line with the Four Year Corporate Plan, will be presented to Strategy & Resources Committee, detailing financial implications and funding options.
- 3.4 The proposed programme for 2021/22 comprises:-

	£'000
Core Programme of Priority Works (funded by capital reserves and revenue)	112
Disabled Facilities Grant Scheme to be progressed subject to external funding being achieved	600
<b>Total</b>	<b>712</b>

- 3.5 The funding recommended comprises:-

	£'000
Budgeted revenue contribution to capital	87
Use of repairs and renewals reserve	25
Use of grants for externally funded schemes	600
<b>Total</b>	<b>712</b>

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- 3.6 The draft 2022/23 revenue budget includes a £400k 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 2022/23 budget. As the proposed capital programme for 2022/23 only requires £87k of the planned revenue contribution, it is recommended that the balance of £313k be held in a reserve to be used for future capital programmes.

## 4 Five-year Capital Programme 2022/23 to 2026/27

- 4.1 CMG considered the five-year capital programme which has been compiled through drawing information from the Asset Management Plan for buildings and other known capital expenditure requirements. This programme is set out in Appendix 2.
- 4.2 The five-year programme provides a forecast of the Council's anticipated capital expenditure need over the next five years but is not an exhaustive list as further items are expected to be added over time as future schemes are identified through other workstreams such as the Climate Change Action Plan, ICT investment requirements and Annual Plan cycle.
- 4.3 Similarly, some schemes may be removed from the programme if strategic asset reviews recommend an alternative approach or Council priorities change. Each year, the forthcoming annual programme will be reviewed by Capital Member Group through the annual capital budget setting process, and the 5-year plan updated accordingly.

## 5 Capital Reserves

- 5.1 The forecast of capital reserves shows that the balance as at 31 March 2023 would be £2.99 million, if the proposed programme is supported.
- 5.2 The capital reserves forecast at Appendix 3 has been updated for the next five years using the following assumptions:-
- 5.2.1 The current approved programme for 2021/22 is delivered this year in line with the current forecast.
  - 5.2.2 The proposed capital programme for 2022/23 proceeds as in appendix 1.
  - 5.2.3 All the schemes within the proposed five-year capital programme detailed in appendix 2 are agreed and delivered.
  - 5.2.4 The only new capital receipts received is £400k in 2022/23 this financial year, in line with current forecast.
  - 5.2.5 £25k of community centre repairs and renewals reserve is used to fund the walk-in freezer at the Wellbeing Centre.

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- 5.2.6 A £400k planned revenue contribution in 2021/22 to fund the proposed capital programme with a balance of £313k held in a reserve for future years.
  - 5.2.7 External funding for the Disabled Facilities Grant is assumed at £600k for the next five year.
- 5.3 The provisional capital programme funding summary shows that the Council's capital receipts reserve would run out by 31 March 2024 should all schemes in the five-year programme progress. In order to maintain the minimum balance of capital receipts at the MTFs recommended level of £1m, consideration will need to be given to options including reducing the proposed capital programme and identifying alternative and/or additional funding sources.

## 6 Proposals

- 6.1 The Panel is asked to confirm the recommendation of the Capital Member Group:-
  - 6.1.1 Schemes, identified in section 3, totalling £112k in 2022/23 and funded from planned revenue contributions and repairs and renewals reserve should be included in the capital programme, subject to the relevant policy committees receiving and approving project appraisals;
  - 6.1.2 The scheme identified in section 3 for £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.

## 7 Risk Assessment

Legal or other duties

### 7.1 Impact Assessment

- 7.1.1 None for the purposes of this report.

### 7.2 Crime & Disorder

- 7.2.1 None for the purposes of this report.

### 7.3 Safeguarding

- 7.3.1 None for the purposes of this report.

### 7.4 Dependencies

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- 7.4.1 One project within the proposed capital programme is 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.

### 7.5 Other

- 7.5.1 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.
- 7.5.2 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 each year, in order to reduce the reliance on capital receipts.

## 8 Financial Implications

- 8.1 The policy committees will receive appraisals for 2022/23 projects in late January, including revenue cost implications.
- 8.2 If all schemes are progressed between 2022/23 and 2026/27 the capital receipts reserves will be exhausted by 31 March 2024. 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.
- 8.3 **Section 151 Officer's comments:** All financial implications have been included within the body of this report.

## 9 Legal Implications

- 9.1 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.
- 9.2 Legal Officer's comments: none arising from the contents of this report.

## 10 Policies, Plans & Partnerships

- 10.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

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- 10.3 **Climate & Environmental Impact of recommendations:** the environmental impact of schemes proposed for the 2022/23 capital programme has been considered through the bid appraisal process.
- 10.4 **Sustainability Policy & Community Safety Implications:** none for the purposes of this report.
- 10.5 **Partnerships:** none for the purposes of this report.

## 11 Background papers

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

### **Previous reports:**

- Capital Member Group report to strategy & Resources on 27 July 2021.
- Medium Term Financial Strategy – appendix 1 of the Budget and Council Tax Report 2020-21 to Council on 13 February 2020.

### **Other papers:**

- Capital bid paperwork.