

CAPITAL MEMBER GROUP

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report requests the Strategy and Resources Committee to consider appointments to the Capital Member Group, and to agree the capital bidding process for 2023/24 to 2027/28.

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) Confirm the criteria for considering capital bids as set out in paragraph 9.1;**
- (4) 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 policy committees receive a report on the proposed capital programme and funding options for 2023/24 at their January meetings. Schemes receiving support will be included in the Budget and Council Tax report for Council approval in February 2023.
- 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 Colin Keane (Chair), Neil Dallen, John Beckett, Alex Coley, and Kate Chinn.

4 Capital Programme Review Timetable

- 4.1 The proposed capital programme 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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Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	Wednesday 7 September 2022
Review full project appraisals, funding and proposed future capital programme.	Wednesday 9 November 2022

- 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 5pm.

5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2022/23, as approved at Full Council in February 2022, is £712k of which £600k is funded from central government grant; £87k is funded by budgeted revenue contribution; and £25k from the Repairs & Renewals reserve.
- 5.2 Budgets totalling £2.564 million, funding projects from the 2021/22 capital programme which have not yet completed, have provisionally been rolled forward into 2022/23 (subject to this Committee's approval within the Financial Outturn report). The funding sources of these projects are £826k from capital receipts, £804k from CIL, £106k from S106, £34k from revenue reserves, £789k from central government grant and £5k external grant funding.
- 5.3 The balance on the capital receipts reserve is expected to be £3.3 million after agreed funding for the 2021/22 capital programme is accounted for. £340k capital receipts have been received for 2022/23 (relating to the agreed transfer of two flats at 24 South Street to Transform Housing Association) with no further receipts currently anticipated.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2022 was £1.594 million of which £1.574 million is for affordable housing. The balance of uncommitted CIL receipts for strategic infrastructure projects at 1 April 2022 was £6.227m, 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 a 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 2022/23 was £600k and was based on the 2021/22 allocation.

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- 6.2 Officers have now received confirmation of the exact amount of DFG grant finding for 2022/23, which is £185,282 more than the estimated budget agreed by Full Council in February 2022.
- 6.3 Members are asked to approve additional budget of £185,282 for the Disabled Facilities Grant funded scheme for the 2022/23 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 Senior Management Team

- 7.1 The Capital Member Group's role is to review the current capital programme, co-ordinate the preparation of the capital programme for 2023/24 and indicative programme for 2024/25 to 2027/28, whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 The Strategic Management Team will meet to review the full bids in mid-October 2022 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 CMG also receives the recommendations of the Strategic Management Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

8 Capital Bidding Process 2023/24

- 8.1 The timetable below identifies each stage of the 2023/24 capital programme:

Action	Deadline
Initial Capital Appraisal Forms returned to Financial Services by Heads of Service, after discussion with Directors.	Monday 22 August 2022
Capital Member Group meet to discuss approach and identify which potential bids should be worked into full bids for review in November	Wednesday 7 September 2022
Full Bid Capital Appraisal Forms distributed	Friday 9 September 2022
Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service/Directors	Monday 3 October 2022
Strategic Management Team review schemes	October 2022

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Capital Member Group review of appraisals, funding and proposed programme of schemes	Wednesday 9 November 2022
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	17 January - 26 January 2023
Council agrees Budget and Capital Programme	Tuesday 14 February 2023

9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £3.3 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).
 - 9.1.5 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.
- 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.
 - 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 3.1. It is proposed that the following nominated Members are appointed, subject to confirmation at the meeting:
- Councillor Neil Dallen (Chairman) (RA)
 - Councillor John Beckett (RA)
 - Councillor Alex Coley (RA)
 - Councillor Nigel Collin (RA)
 - Councillor Kate Chinn (Labour)
- 10.2 The 2022/23 budget for the Disabled Facilities programme was agreed by Full Council in February 2022 in line with the 2021/22 budget, as the 2022/23 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2022/23 grant allocation as advised by central government.
- 10.3 Given the limited capital resources detailed in section 5, the Committee is asked to agree the approach set out in section 9 to determine which capital bids are successful.

11 Risk Assessment

Legal or other duties

11.1 Equality Impact Assessment

11.1.1 None for the purposes of this report.

11.2 Crime & Disorder

11.2.1 None for the purposes of this report.

11.3 Safeguarding

11.3.1 None for the purposes of this report.

11.4 Dependencies

11.4.1 None for the purposes of this report.

11.5 Other

11.5.1 None for the purposes of this report.

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12 Financial Implications

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

13 Legal Implications

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

13.2 **Legal Officer's comments:** There are none for the purposes of this report.

14 Policies, Plans & Partnerships

14.1 **Council's Key Priorities:** The following Key Priorities are engaged: Strengthen the Council's financial independence.

14.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

14.3 **Climate & Environmental Impact of recommendations:** All bids will be required to state any contribution to the Council's Climate Change Action Plan.

14.4 **Sustainability Policy & Community Safety Implications:** None for the purposes of this reports.

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

15 Background papers

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

Previous reports:

- None.

Other papers:

- Capital Strategy 2022/23.
- Budget Book 2022/23.