

INITIAL CAPITAL PROPOSALS - 2024/25

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):	Appendix 1 – Summary of 2024/25 First Draft Capital Programme for consideration with Finance Officer comments Appendix 2 - Paperwork of Proposals

Summary

This report sets out the initial proposals for the 2024/25 Capital Programme and seeks guidance as to which of these should be worked into final proposals for further consideration in November 2023

Recommendation (s)

The Panel is asked to:

- (1) Provide guidance on which of the initial schemes in the first draft 2024/25 capital programme should be developed for further consideration in November.**

1 Reason for Recommendation

- 1.1 To review and advise which initial capital proposals should be worked up to final proposals for the Council's 2024/25 Capital Programme.

2 Background

- 2.1 The Council agreed a capital investment programme for 2023/24 in February 2023. A provisional programme for the subsequent four years was also proposed for 2024/25 to 2027/28. The Capital Strategy and Capital Programme are reviewed annually.

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- 2.2 The capital budget timetable requires that the policy committees receive a report on the proposed Capital Programme and funding options for 2024/25 at their January meetings. Schemes receiving committee support will then be included in the Budget and Council Tax report for Council approval in February 2024.
- 2.3 In view of public sector funding constraints, proposed schemes should meet at least one of the Council's agreed capital criteria set out in section 4, to qualify for inclusion in the draft Capital Programme.

3 The Roles of Financial Strategy Advisory Group and Strategic Management Team

- 3.1 The Financial Strategy Advisory Group's role is to co-ordinate preparation of the capital programme for 2024/25 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 3.2 The Strategic Management Team will meet to review the full proposals in October 2023 to ensure they meet the requirements of the group, each scheme will be evaluated for suitability for inclusion within the capital programme and presented to the Financial Strategy Advisory Group (FSAG) in November.

4 Criteria for Assessing Capital Proposals

- 4.1 Full Council agreed the Capital Strategy in February 2023, which stipulated the criteria for assessing capital proposals to take account of the limited resources available. With the level of capital receipts projected at under £3.1m after funding 2023/24's capital programme, the Capital Strategy confirmed proposals should only be considered if they meet one of the following criteria:
 - 4.1.1 Where there is a guarantee of the scheme being fully externally funded and is classed as a high priority.
 - 4.1.2 Spend to save projects (see below).
 - 4.1.3 Where it is mandatory for the Council to provide the scheme (eg Disabled Facilities Grants and Health and Safety).
 - 4.1.4 Essential for business continuity, the minimum required to continue to deliver the services of Council (eg minimum level of building maintenance and IT).
 - 4.1.5 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.

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4.2 For the purpose of appraising any of the proposals funded as a 'spend to save', the following criteria should be applied;

4.2.1 Payback of the amount capital invested within the project within 5 years (10 years for renewable energy projects).

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

4.2.3 Risk of not achieving return on investment is low.

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

5 First Draft 2024/25 Capital Programme

5.1 Initial proposals for the 2024/25 programme were invited to be submitted by officers by 1 July 2023. A total of 11 proposals were received with a total investment value of £2.04m, as detailed in the following table:

First Draft Capital Programme 2024/25	Indicative Budget 2024/25	Corporate Funding Required	External Funding Available
	£'000	£'000	£'000
Strategy and Resources Committee (2 proposals)	109	109	0
Environment Committee (5 proposals)	680	680	0
Community and Wellbeing Committee (4 proposals)	1,251	466	785
Licensing & Planning Policy Committee (0 proposals)	0	0	0
Total	2,040	1,255	785

5.2 A summary of the proposals which have been initially put forward by Officers is attached in Appendix 1. Financial Strategy Advisory Group are asked to agree which proposals should be progressed, and which deleted or deferred to subsequent years. Supported proposals will then be worked up into full proposals for review by Strategic Management Team in October, before being brought back to FSAG in November for final appraisal.

5.3 The funding required for the above proposals includes £785k of external DFG grant, leaving a balance of £1.3m to be met from capital receipts and the annual revenue contribution of £600k in 2024/25. The balance of capital receipts available to fund the 2024/25 programme currently stands at £3.097m.

5.4 It should also be noted that members have previously agreed that a minimum buffer of £1m of capital receipts should be retained to meet the risks of urgent, emergency, and unforeseen capital expenditure.

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- 5.5 To assist members, proposals have been grouped into those which meet the criteria in section 4, and those which do not meet the criteria. Members are welcome to challenge the criteria within which proposals have initially been placed if they believe it would fit better under another.

First Draft Capital Programme 2024/25	Indicative Budget 2024/25
	£'000
Externally funded (Disabled Facilities Grant)	785
Spend to Save	366
Health & Safety	90
Climate Change	100
Business Continuity	490
Criteria not met (i.e. Service Enhancements)	209
Total	2,040

- 5.6 Finance Officers have provided comment/challenge on the initial proposals within appendix 1. These comments may provide a basis upon which members wish to provide direction to the submitting officer in respect to the information required for the detailed proposal, should it be recommended to process to that stage.

- 5.7 Guidance from FSAG is sought upon on which initial proposals at Appendix 1 are recommended :-

- to proceed for full evaluation/appraisal by Strategic Management Team and then FSAG in November;
- to be deferred to 2025/26 or later;
- to be deleted.

6 Capital Timetable 2024/25

- 6.1 The timetable below identifies each of the stages of the 2024/25 capital programme:

Action	Deadline
Engagement with Policy Chairs on initial proposals	August 2023
Financial Strategy Advisory Group identify which of the initial proposals should be worked into full proposals for review in November	September 2023

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Final Capital Proposal Forms returned to Finance and copied to the Head of Service and Directors	October 2023
Strategic Management Team review final proposals and discuss with project managers	October 2023
Financial Strategic Advisory Group review of final proposals and funding	November 2023
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	16 – 25 January 2024
Council agrees Budget and Capital Programme	13 February 2024

7 Section 106 (Developer Contributions) and CIL (Community Infrastructure Levy)

- 7.1 Officers will continue to review schemes to determine if S106 or CIL funding could be applied to conserve capital receipts. The balance of uncommitted S106 funds now comprises affordable housing receipts only, therefore the likelihood of these being applied to the capital programme is minimal due to their restricted use.

8 ICT Capital Budgets

- 8.1 Although the Council needs to invest in its IT infrastructure, this investment is considered as part of a separate IT Strategy, which is reviewed by Strategy & Resources Committee. It is expected that IT investment will be funded through the Council's budgeted revenue contribution for capital projects.

9 Risk Assessment

Legal or other duties

9.1 Equality 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.

9.3 Safeguarding

9.3.1 None for the purposes of this report.

9.4 Dependencies

9.4.1 None for the purposes of this report.

9.5 Other

9.5.1 None for the purposes of this report.

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10 Financial Implications

- 10.1 **Section 151 Officer's comments:** All financial comments have been included within the body of the report.

11 Legal Implications

- 11.1 None for the purposes of this report
- 11.2 **Legal Officer's comments:** None for the purposes of this report

12 Policies, Plans & Partnerships

- 12.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 12.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 12.3 **Climate & Environmental Impact of recommendations:** The environmental impact of schemes is considered through the proposal appraisal process.
- 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:

- None.

Other papers:

- None.