

## **INITIAL CAPITAL PROPOSALS - 2025/26**

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<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	Appendix 1 –Initial Capital Programme proposals for consideration

### **Summary**

This report sets out the initial proposals for the 2025/26 Capital Programme and seeks guidance as to which of these should be worked into final proposals for further consideration in November 2024.

### **Recommendation (s)**

#### **The Panel is asked to:**

- (1) Provide guidance on which of the initial schemes in the first draft 2025/26 capital programme should be developed for further consideration in November 2024.**

## **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 2025/26 Capital Programme.

## **2 Background**

- 2.1 The Council agreed a capital investment programme for 2024/25 in February 2024. A provisional programme for the subsequent four years was also proposed for 2025/26 to 2028/29. The Capital Strategy and Capital Programme are reviewed annually.
- 2.2 The capital budget timetable requires that the policy committees receive a report on the proposed Capital Programme and funding options for 2025/26 at their January meetings. Schemes receiving committee support will then be included in the Budget and Council Tax report for Council approval in February 2025.

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- 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 (FSAG) role is to review the current capital programme, co-ordinate the preparation of the capital programme for 2025/26 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 3.2 The Strategic Leadership Team will meet to review the full proposals in October 2024 to ensure they meet the requirements; each scheme will be evaluated for suitability for inclusion within the capital programme and presented to the Financial Strategy Advisory Group in November.
- 3.3 FSAG also reviews the capital strategy and criteria applied to capital project appraisals.

### **4 Criteria for Assessing Capital Proposals**

- 4.1 In previous years, Strategy & Resources Committee have agreed criteria for assessing capital proposals taking into account the limited resources available. With the level of capital receipts just under £2.2m after funding the 2024/25 capital programme, it is recommended that potential proposals should only be considered if they meet one of the following criteria, as agreed in the Capital Strategy at Full Council in February 2024:
  - 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.
- 4.2 For the purpose of appraising any of the proposals funded as a 'spend to save' it is proposed that the following criteria should be applied;

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- 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 Current Overview of Existing Capital Programme and Financing

- 5.1 The current approved core capital programme for 2024/25, including slippage from 2023/24 and agreed in-year additions, totals £5.207m. This is funded by £1.563m of capital receipts; £1.45m of Disabled Facilities Grant; £56k of S106 contributions; £769k of CIL; £500k of revenue funding, £41k external grant; and £828k from the Residential Property Reserve.
- 5.2 The 2024/25 Capital Monitoring information for Q1 which is due to go to Audit and Scrutiny Committee on 26 September 2024 can be viewed here: [Agenda \(epsom-ewell.gov.uk\)](#).
- 5.3 The capital receipts reserve is projected at £2.375m after funding the 2024/25 current approved capital programme. To date in 2024/25 there has been one receipt received totalling £130k.
- 5.4 The Q1 Capital Monitoring report also details available funds from Community Infrastructure Levy, and from S106 balances which are all now within the Affordable Housing category.

### 6 Draft 2025/26 Capital Programme

- 6.1 Initial proposals for the 2025/26 programme were invited to be submitted by officers by 8 July 2024. A total of 8 proposals are presented with a total investment value of £1.872m. In addition to these, the £785k grant funded Disabled Facilities Grant (DFG) scheme has been included to give an initial draft capital programme totalling £2,657m as detailed in the following table:

First Draft Capital Programme 2025/26	Indicative Budget 2025/26	Corporate Funding Required	External Funding Available
	£'000	£'000	£'000
Strategy & Resources Committee (0 proposals)	0	0	0

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Environment Committee (5 proposals)	1,222	1,222	0
Community & Wellbeing Committee (4 proposals)	1,435	630	805
Licensing & Planning Policy Committee (0 proposals)	0	0	0
<b>Total</b>	<b>2,657</b>	<b>1,852</b>	<b>805</b>

- 6.2 The initial proposals which have been put forward are detailed 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 Leadership Team in October, before being brought back to FSAG in November for final appraisal.
- 6.3 The indicative funding required for the above proposals includes £785k of external DFG grant; a potential £20k external theatre improvement grant; leaving a balance of £1,852k to be met from capital receipts and the annual revenue contribution of approximately £250k in 2025/26. The balance of capital receipts available to fund the 2025/26 programme currently stands at £2.375m.
- 6.4 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.
- 6.5 To assist Members, proposals have been grouped into those which meet the criteria in section 4, and those which do not appear to 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 2025/26	Indicative Budget 2025/26
	£'000
Externally funded	805
Spend to Save	0
Health & Safety	0
Statutory Duty	0
Climate Change	300
Business Continuity	750
Criteria not met (i.e. Service Enhancements)	802
<b>Total</b>	<b>2,657</b>

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6.6 Guidance from FSAG is sought upon on which proposals in Appendix 1 are recommended :-

- to proceed for evaluation/appraisal by the Strategic Leadership Team;
- to be deferred to 2026/27 or later;
- to be deleted.

## 7 Capital Timetable 2025/26

7.1 The timetable below identifies each of the stages of the 2025/26 capital programme:

Action	Deadline
Financial Strategy Advisory Group identify which of the initial proposals should be worked into full proposals for review in November	September 2024
Final Capital Proposal Forms returned to Finance and copied to the Head of Service and Directors	October 2024
Strategic Leadership Team review final proposals and discuss with project managers	October 2024
Financial Strategic Advisory Group review of final proposals and funding	November 2024
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	16 – 25 January 2025
Council agrees Budget and Capital Programme	13 February 2025

## 8 Section 106 (Developer Contributions) and CIL (Community Infrastructure Levy)

8.1 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.

## 9 ICT Capital Budgets

9.1 Although the Council needs to invest in its ICT infrastructure, this investment is being considered as part of the separate ICT Strategy and therefore no ICT capital proposals have been submitted for consideration by this Group. It is estimated that approximately half of the budgeted revenue contribution to capital will be required to fund the ICT capital investment needs for 2025/26.

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### 10 Risk Assessment

Legal or other duties

#### 10.1 Equality Impact Assessment

10.1.1 None for the purposes of this report.

#### 10.2 Crime & Disorder

10.2.1 None for the purposes of this report.

#### 10.3 Safeguarding

10.3.1 None for the purposes of this report.

#### 10.4 Dependencies

10.4.1 None for the purposes of this report.

#### 10.5 Other

10.5.1 None for the purposes of this report.

### 11 Financial Implications

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

### 12 Legal Implications

12.1 None for the purposes of this report

12.2 **Legal Officer's comments:** None

### 13 Policies, Plans & Partnerships

13.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

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

13.3 **Climate & Environmental Impact of recommendations:** The environmental impact of schemes is considered through the proposal appraisal process.

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

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

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### 14 Background papers

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

**Previous reports:**

- None.

**Other papers:**

- Capital Strategy to Full Council, Appendix 10 of the Budget and Council Tax Report, February 2024.