

# Strategy and Resources Committee

26 July 2018

## Capital Member Group

<b>Head of Service/Contact:</b>	Lee Duffy, Chief Finance Officer
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Annexes/Appendices (attached):</b>	None
<b>Other available papers (not attached):</b>	Capital Strategy 2018/19 Budget Book 2018/19

### Report 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 2019/20 to 2021/22.

### Recommendation (s)

That the Committee:

- (1) appoints Members to the Capital Member Group;
- (2) approves the increase in budget of £53,382 for the Disabled Facilities programme, in line with the allocation of central government grant funding;
- (3) confirms the criteria for considering capital bids, as set out in paragraph 9.1;
- (4) confirms the criteria for assessing 'spend to save' capital bids as set out in paragraph 9.2.

## 1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Strategy and Resources Committee agreed as a key service priority the current Medium Term Financial Strategy for 2016/20. The MTFS includes targets for capital investment and capital reserves. These will be reassessed as part of this year's capital programme review.

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### **2 Background**

- 2.1 The capital budget timetable requires that the Financial Policy Panel receives a report on the proposed capital programme and funding options for 2019/20 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 2019.
- 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 public sector funding restrictions the Capital Member Group has continued to limit schemes recommended for inclusion into the capital programme to those that were a prioritised service or for health and safety considerations or essential to keep services running. Any other schemes included within the capital programme need to be self-financing, either through external grants/contributions or through revenue savings (on a business case evaluation).

### **3 Capital Member Group**

- 3.1 The Capital Member Group is a working group, appointed by the Strategy and Resources Committee to oversee the work of the officer capital management group (Leadership Team) and review the capital strategy to validate criteria applied to capital project appraisals.
- 3.2 Membership of the Capital Member Group is as follows:
  - 3.2.1 There be five members on CMG;
  - 3.2.2 Meetings be chaired by the Chairman of Strategy and Resources Committee;
  - 3.2.3 CMG members should be drawn from members of the Financial Policy Panel;
  - 3.2.4 CMG may include committee chairmen;
  - 3.2.5 CMG include opposition party representation.
- 3.3 Last year's membership of the Group comprised Councillors Eber Kington (Chairman), John Beckett, Barry Nash, Omer KoKou-Tchri and Clive Smitheram.

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### 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.

Capital Member Group Action	Date
Review initial bids and identify which should be worked into full bids for review in November.	(Wed) 5 September 2018
Review full project appraisals, funding and draft report for Financial Policy Panel.	(Wed) 7 November 2018

- 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.

### 5 Overview of Existing Capital Programme and Financing

- 5.1 The current approved programme for 2018/19, as approved at Full Council in February 2018, is £1.813 million, of which £685k is funded from capital receipts, £540k from revenue contributions and £588k from central government grant.
- 5.2 Budgets totalling £2.114 million, funding projects from the 2017/18 capital programme which have not yet completed, have been rolled forward into 2018/19. The funding sources of these projects are £386k from capital receipts, £644k from S106, £649k from CIL, £353k from central government grant and £82k other contribution.
- 5.3 The balance on the capital receipts reserve is expected to be at £4.02 million after agreed funding for the 2018/19 capital programme is accounted for. This includes new receipts anticipated for 2018/19 of £210k.
- 5.4 The balance of uncommitted S106 receipts as at 1 April 2018 was £1.28 million of which £0.95 million is for affordable housing with the bulk of the £329k balance being for open spaces. The balance of uncommitted CIL receipts for strategic infrastructure projects as at 1 April 2018 was £2.88 million, the utilisation of which is determined via recommendations from the Joint Infrastructure Group, which comprises of both Borough and County Members.

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### 6 Budget for 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 2018/19 was £588k and was based on the 2017/18 allocation.
- 6.2 Officers have now received confirmation of the exact amount of DFG grant funding for 2018/19 which is £641,382, £53,382 more than the estimated budget agreed by Full Council in February 2018.
- 6.3 Members are asked to approve additional budget of £53,382 for the Disabled Facilities Grant funded scheme for the 2018/19 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 Capital Member Group and the Leadership Team

- 7.1 The Capital Member Group's role is to review the current three year capital programme, co-ordinate the preparation of the capital programme for 2019/20 whilst reviewing funding, including capital reserves, new capital receipts, grants, CIL (Community Infrastructure Levy) and Section 106 (planning gain) receipts.
- 7.2 Leadership Team will meet to review the full bids on 9 October 2018 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 The CMG also receives the recommendations of the Leadership Team, reviews the capital strategy and validates the criteria applied to capital project appraisals.

### 8 Capital Bidding Process 2019/20 to 2021/22

- 8.1 The timetable below identifies each stage of the 2019/20 capital programme:

Action	Deadline
Draft Capital Appraisal Forms returned to Financial Services and copied to Heads of Service	20 August 2018
<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>5 September 2018</b>
Capital Appraisal Forms updated & distributed	7 September 2018

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Deadline for final Capital Appraisal Forms to be returned to Financial Services and copied to Heads of Service	21 September 2018
Leadership Team Workshop (to review schemes and discuss with project managers)	9 October 2018
Capital programme update reports drafted for Capital Member Group and first draft for Financial Policy Panel (FPP)	31 October 2018
<b>Capital Member Group review of appraisals, funding and draft FPP report</b>	<b>7 November 2018</b>
Dispatch for FPP	20 November 2018
Financial Policy Panel advises on capital funding and schemes to be released for 2019/20	4 December 2018
Policy committees receive revenue estimate reports and draft capital programme with appraisal forms	22 – 31 January 2019
Council Agrees Budget and Capital Programme	19 February 2019

### 9 Criteria for Consideration of Bids

- 9.1 With the level of capital receipts reserves just above £4.02 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 (eg Disabled Facilities Grants and Health and Safety).
  - 9.1.4 Minimum required to continue to deliver the services of Council (eg minimum level of building maintenance and IT).
- 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 (7 years for renewable energy projects).
  - 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 3.2.
- 10.2 The 2018/19 budget for the Disabled Facilities programme was agreed by Full Council in February 2018 in line with the 2017/18 allocation, as the 2018/19 grant determination had not been received at that time. Approval is now sought to increase this budget in line with the 2018/19 grant allocation as advised by central government.
- 10.3 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.

### 11 Financial and Manpower Implications

- 11.1 There are no implications for the purpose of this report.

### 12 Legal Implications (including implications for matters relating to equality)

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

### 13 Sustainability Policy and Community Safety Implications

- 13.1 There are no implications for the purpose of this report.

### 14 Partnerships

- 14.1 There are no implications for the purpose of this report.

### 15 Risk Assessment

- 15.1 All major projects are subject to risk assessment.

### 16 Conclusion and Recommendations

- 16.1 To facilitate the scrutiny and selection of capital projects to be included in the 2019/20 capital programme, it is recommended that a Capital Member Group, be appointed by this Committee. The Group will need to have consideration of the finite nature of the Council's capital resources, and it is therefore proposed that the Group limit schemes for inclusion in the capital programme to those that are a prioritised service, are essential to keep services running or which meet health and safety requirements. Any other schemes will need to be self-financing, via external contributions or revenue savings within a set timescale.

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- 16.2 The Committee is asked to agree to increase the Disabled Facilities Grant programme budget for 2018/19 in line with the grant allocation determined by central government. This grant is ring-fenced for this purpose and funds not allocated to this purpose would have to be returned to central government.

**Ward(s) affected:** (All Wards).