



Cabinet

9 February 2022

Report of: Councillor Ronnie de Burle -
Portfolio Holder for Corporate
Governance and Resources

Capital Programme 2021-2026 - General Fund and Capital Strategy 2022-23

| | |
|--|------------------------|
| Corporate Priority: | All |
| Relevant Ward Member(s): | All |
| Date of consultation with Ward Member(s): | N/A |
| Exempt Information: | No |
| Key Decision: | No |
| Subject to call-in: | No Not key decision |

1 Summary

- 1.1 To provide information on the forecast outturn position for 2021/22. To determine the General Fund Programme for 2021-26 based on a review of spending in the current year's programme and schemes included in the programme for later years.
- 1.2 The revised CIPFA Prudential Code for Capital Finance in Local Authorities published in 2017 introduced the requirement to produce a capital strategy and for the Chief Finance Officer to report explicitly on the affordability and risk associated with it. This report contains the updated version of the Capital Strategy for all council funds for 2022/23.

2 Recommendations

That Cabinet:

- 2.1 **recommend to Council approval of:**
- 2.1.1 **The addition to the 2021/22 General Fund Capital Programme of £77k for works required at Waterfield leisure centre as referred to in para 5.2 to be funded from the Waterfield Leisure Pool sinking fund;**
 - 2.1.2 **The General Fund Capital Programme for 2022-26 as attached at Appendix B;**
 - 2.1.3 **The sources of funding for the General Fund capital programme for 2022/23 as set out in Appendix C;**
 - 2.1.4 **Delegated authority to be given to the Director for Corporate Services to amend the amount in the capital programme for Disabled Facilities Grants once funding confirmation has been received as referred to in para 5.9;**
 - 2.1.5 **the Capital Strategy 2022-23 as attached at Appendix D.**

3 Reason for Recommendations

- 3.1 Approving the capital programme and capital strategy will support the Council in delivering its commitment to manage its assets effectively and to ensure the benefits from them are maximised for the benefits of the Council and community as a whole. These Capital plans will support the effective delivery of these ambitions and will ensure appropriate levels of capital expenditure and investment are in place to meet Corporate priorities and objectives whilst ensuring that plans are affordable, prudent and sustainable. It is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities published in 2017 to produce a capital strategy and for the Chief Finance Officer to report explicitly on the affordability and risk associated with it.
- 3.2 The Capital Programme for 2022-26 for the General Fund is attached at Appendix B. The Programme gives the total cost of each scheme, the spending profile, the amounts authorised to be spent and the stage each scheme has reached within the Capital Programme.

4 Background

- 4.1 It is good financial practice to incorporate the financial effects of capital spending plans into revenue budgets prior to the consideration and approval of the revenue budgets. As such Cabinet are asked at this meeting to consider and make recommendations to Council on the projects for the General Fund to be funded in the capital programme for 2022/23 in addition to those which have already had funding approved.
- 4.2 Members to note that within the proposed capital programme for 2022/23 there are no proposals in respect of Special Expenses Melton Mowbray.

- 4.3 The capital programme proposals for the HRA are included elsewhere on this agenda and are contained with the HRA budget proposals due to the interlinked nature of the HRA funding requirements across revenue and capital. The capital strategy at Appendix D as an overarching corporate document includes proposals for all funds including the HRA.

5 Main Considerations

2021/22 Forecast Position

General Fund

- 5.1 The forecast outturn for the 2021/22 General Fund capital programme is expected to be £1,991k against an approved budget of £2,573k resulting in an overall underspend of £582k. This is primarily due to:
- **LAD3 - MEH Sustainable Warmth** - £550k is proposed to be moved to 2022/23 so that works can commence after LAD2 Energy Efficiency Measures have been delivered as these must be completed by 31/03/2022.
 - **Environmental Service vehicles** – the scheme allocation of £50k is unlikely to progress this financial year pending a review in the approach to vehicle replacement policy to ensure elements such as sustainability and climate change impact are fully analysed. This is proposed to be moved into 2022/23
- 5.2 Essential improvement works are required at the Waterfield Leisure Centre to address roofing issues totalling £77k which have arisen and resulted in the closure of the swimming pool for a period of time. It is proposed that these works be funded from the Waterfield Leisure Centre sinking fund. This is additional to previous ventilation works required as part of the reopening of facilities approved under delegation and undertaken earlier in the year at £23k.
- 5.3 The financing of the 2021/22 programme is made up of repairs and renewal contributions, external grant funding, third party support and use of capital receipts. No borrowing is required.
- 5.4 The balance on the capital receipts as at 31st Mar 2021 was £636k of which £344k will be used to finance the current year's programme, plus a balance of £253k already allocated to support the Asset Development Programme. A capital receipt of £77k has been generated in year which will leave £116k available to finance the 2022/23 capital programme and future years; subject to any further capital receipts being generated.

2022/23 Capital Programme

General Fund

- 5.5 The proposed General Fund capital programme for 2022/23, as outlined in Appendix A totals £1,623k covering key areas such as ICT investment, DFG's, management of key council assets, energy efficiency and community investment. This consists of:
- £600k of funded projects moved from 2021/22
 - £250k of projects in the programme and already funded
 - £482k of projects already in the programme but not yet funded,
 - £55k requests to increase existing projects
 - £236k of new projects.

- 5.6 The overall programme, if approved, would be financed through capital receipts £108k, capital receipts leisure vision £95k, repairs and renewals fund £271k, internal borrowing £250k and capital grants from external sources of £899k as outlined in Appendix C.
- 5.7 For 2022/23 the additional projects which are being requested to be added to the capital programme are set out in the table below.

| Capital Scheme | Amount | Funding Source | Comments |
|---|---------------|-----------------------------------|-------------------------------------|
| Lifeline – Analogue to Digital switchover | £15k | Leisure vision - Capital Receipts | New scheme being added for 2022/23 |
| <p>To request capital funding in order to deliver a digital transformation programme for Melton Lifeline.</p> <p>This is a capital project to upgrade the Council's existing lifeline units from analogue to digital which will become obsolete from 2025. A similar provision is being provided as part of the HRA. The provision is required in 2022/23 in order to enable a joint procurement with Harborough District Council. Cabinet at their January 2022 meeting approved a review of the lifeline service which will help ensure the service is customer focussed and commercially viable. Investment in the units will put the council in a better position commercially to deliver the service, recover our investment costs over the long term and meet the necessary requirements of providing a digital service to our customers.</p> <p>The opportunity to use external grant funding will be explored but, in the meantime, due to the lack of capital receipts available the leisure vision reserve is being proposed to support the funding of this scheme.</p> | | | |
| Drainage works required at Melton Sports Village | £50k | Leisure vision - Capital Receipts | New scheme being added for 2022/23 |
| <p>Following the local government ombudsman's directions in July 2021, resulting from a Melton resident's complaint concerning potential causes of flooding to a private property. MBC has acted to appoint an independent drainage consultant who has liaised with LCC as the Lead Local Flood Authority in assessing the performance of the current drainage and flood attenuation at Melton Sports Village.</p> <p>The initial report from the drainage consultant indicates that remedial works are needed to improve the existing drainage and flooding attenuation to slow the flow of surface water away from the sports pitches and away from the MSV site. A provisional sum of £50k has been suggested by MBC Corporate Assets as a budget for the remedial works, but this is just a provisional sum, the proposed works need to be fully costed and competitively tendered, which is expected to be completed by April 2022.</p> | | | |
| Condition Survey Asset works | £171k | Various | New schemes being added for 2021/22 |
| <p>Updated complete stock condition surveys have been undertaken in year and assessed by a building surveyor on a severity rating basis to identify those items that must be addressed for Health and &S or structural failure reasons or otherwise are identified as essential repairs. The proposed capital programme is based on essential investment needed to meet the council's obligations under its Asset Management</p> | | | |

Plan (being updated currently) and are necessary to meet minimum Health & Safety standards. These are across a number of the councils' assets:

- Parkside £50k – funded from Parkside repairs and renewal fund
- Cattle Market £13k – funded from Cattle Market repairs and renewal fund
- Car parks £108k – funded from capital receipts

5.8 In addition to the above, there have been some amendments to existing schemes which have been taken into account when preparing the 2022/23 capital programme:

- LAD3 - MEH Sustainable Warmth programme has been moved in the next financial year as highlighted in the forecast outturn for 2021/22
- Environmental Service vehicles – as highlighted above this is being moved into 2022/23 and increased to £75k due to more vehicles becoming due for replacement.
- The Lake Terrace Waste Depot Refurbishment has commenced during 2021/22 but it has been identified a further £30k for additional drainage works that will be required to be undertaken in the next financial year.

5.9 In respect of DFGs the current amount included in the capital programme for 2022/23 is £345k, but final funding figures have yet to be confirmed. Should there be any minor changes to the capital programme Council will be requested to give delegated authority to the Director for Corporate Services to amend the amount in the capital programme once funding confirmation has been received.

5.10 As part of the budget process the potential need to invest in CCTV equipment was highlighted. However, there is still work to be undertaken on the business case for this as well as the available external funding prior to resorting to limited council resources. As such proposals are not being put forward at this time but there could be a proposal further in the year.

Capital Strategy

5.11 As part of the updated Prudential Code for Capital Finance in Local Authorities which was published in late December 2017 there is a requirement to produce a Capital Strategy which links into the Treasury Management Strategy. The purpose of the capital strategy is to tell a story that gives a clear and concise view of how a local authority determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It need not duplicate other documents but should include cross references where relevant. It should provide enough detail to ensure that all members understand how the authority is delivering stewardship of the authority's resources, prudence and sustainability and meeting the authority's reporting requirements. The strategy links to the priorities as set out in the Corporate Strategy.

5.12 The strategy sets out the links to external influences and partners as well as the linkages to the Council's own priorities and planned activities. In terms of the financial implications and links to affordability as set out in the strategy work has been undertaken on refreshed stock condition surveys which have been reviewed and built in the Council's investment strategy. These will then feed into Asset Management Plans for both the General Fund

and the Housing Revenue Account (HRA). Due to the unaffordable level of investment required on the general fund assets, it is proposed to focus on essential repairs which will be reviewed annually through the corporate property team to then feed into the annual budget process.

- 5.13 An updated HRA business plan is due to be presented to members shortly which will include update capital investment numbers. Once approved these will be feed into the capital strategy which should be seen as a living document to be updated as required during the year. Therefore, where highlighted in the Capital Strategy appended to this report where numbers haven't been available this will be updated accordingly.
- 5.14 With the limited capital resources at the Council's disposal it is highly likely that future funding needs may need to be met from borrowing which will impact on the council's revenue budget unless investment is met by savings in expenditure or additional income being generated. One area which the council is looking to strengthen its reserves relates to asset repairs provision by looking to establish a general repairs and maintenance reserve to help provide further resilience should unforeseen investment that might be required over and above that provided for in any specific repairs and renewal funds. A relevant recommendation is included in the revenue budget proposals contained elsewhere on this agenda.

6 Options Considered

- 6.1 No other options considered. If the report was not provided councillors would not be aware of ongoing developments and therefore would not be able to represent their residents effectively. In order to access reserves and incur capital expenditure, Council approval is required.

7 Consultation

- 7.1 The Scrutiny Committee has considered the budget proposals and the outcome of their consideration is set out elsewhere on the agenda. All members were invited to the Scrutiny committee. Prior to this formal meeting a Budget Scrutiny Workshop was held consisting of a number of members drawn from the Scrutiny Committee.
- 7.2 Members at the Budget Scrutiny Workshop were supportive of capital proposals and sought assurance over associated procurement to ensure value for money for work undertaken.
- 7.3 Budget holders, managers and staff have been engaged at various stages in the process as the budget has been developed.

8 Next Steps – Implementation and Communication

- 8.1 Council provide formal approval of Capital Programme for 2022-23 alongside the Capital Strategy at the meeting on the 24th February 2022.

9 Financial Implications

- 9.1 The majority of financial implications have been addressed in section 5.
- 9.2 The key source of internal funding for the capital programme are capital receipts. It should be noted based on the anticipated financing of the 2022/23 General Fund capital programme the estimated balance on Capital Receipts will be only £8k and that the previously set aside Leisure Vision capital receipts will be required to help fund the programme in the next financial year. Whilst this doesn't take into account any further capital receipts that may be generated it does show that the Councils resources are limited to fund future capital schemes. Once capital receipts are exhausted this leaves the Corporate Priorities Reserve which is a revenue fund available to support capital or borrowing which would have revenue implications. Therefore, the prioritisation of capital schemes and the need to focus on the Asset Development Programme will be key, including generation of further capital receipts. If insufficient capital funds are available the Council would then need to consider borrowing to fund such investments and would need to ensure any schemes are affordable in revenue terms through reductions in net expenditure.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 As part of the budget policy framework it is essential the recommendation for review of the capital programme is approved by full Council.
- 10.2 The Capital Strategy forms part of the Budget and Policy Framework and therefore must be approved by Council
- 10.3 Any legal implications arising from new schemes will be identified and addressed at the business case stage

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no equalities issues arising from this report. Any equalities issues arising from individual schemes will be taken account of as part of the associated projects arising from those capital schemes.

12 Community Safety Implications

- 12.1 Individual projects could have links to community safety issues. These should be covered in any associated reports and forms linked to those projects as they progress through the decision making process.

13 Environmental and Climate Change Implications

- 13.1 As part of the review and replacement for the Environmental Maintenance Team service vehicles and machinery energy efficient replacement will be considered.

14 Other Implications (where significant)

- 14.1 No other implications have been identified.

15 Risk & Mitigation

- 15.1 The risks relating to individual projects will be considered as part of the project management process for each scheme. Detailed risks are set out within the capital strategy itself.

| Risk No | Risk Description | Likelihood | Impact | Risk |
|---------|--|-------------|----------|-------------|
| 1 | Adequate resource in place to deliver projects | Significant | Critical | Medium Risk |

| | | Impact / Consequences | | | |
|------------|---------------------|-----------------------|----------|----------|--------------|
| | | Negligible | Marginal | Critical | Catastrophic |
| Likelihood | Score/ definition | 1 | 2 | 3 | 4 |
| | 6 Very High | | | | |
| | 5 High | | | | |
| | 4 Significant | | | 1 | |
| | 3 Low | | | | |
| | 2 Very Low | | | | |
| | 1 Almost impossible | | | | |

16 Background Papers

- 16.1 None

17 Appendices

- 17.1 Appendix A – General Expenses Capital Monitoring 2021-22
- 17.2 Appendix B – General Expenses Capital Programme 2022-26
- 17.3 Appendix C – General Expenses Capital Budget 2022-23 Anticipated Financing
- 17.4 Appendix D – Capital Strategy 2022-23
- 17.5 Appendix Di – General Fund 5 Year Programme
- 17.6 Appendix Dii – HRA 5 year programme

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