



## Capital Programme 2022-2027 - General Fund and Capital Strategy 2023-24

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

### 1 Summary

- 1.1 This report provides information on the forecast outturn position for 2022/23. The report also sets out the proposed General Fund Programme for 2022-27 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 2023/24.

## 2 Recommendations

**That Cabinet:**

2.1 **recommend to Council approval of:**

- 2.1.1 **The addition to the 2022/23 General Fund Capital Programme of a further £104k for Environmental maintenance vehicle replacement programme funded from the renewals and repair fund;**
- 2.1.2 **The removal from the 2022/23 General Fund Capital Programme of £550k of LAD 3 MEH sustainable warmth budget;**
- 2.1.3 **The reduction in the 2022/23 General Fund Capital Programme of £62k on property condition survey works;**
- 2.1.4 **The General Fund Capital Programme for 2023-27 as attached at Appendix B;**
- 2.1.5 **The sources of funding for the General Fund capital programme for 2023/24 as set out in Appendix C;**
- 2.1.6 **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;**
- 2.1.7 **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 2023-27 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 2023/24 in addition to those which have already had funding approved.

- 4.2 Members to note that within the proposed capital programme for 2023/24 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

### 2022/23 Forecast Position

#### General Fund

- 5.1 The forecast outturn for the 2022/23 General Fund capital programme is expected to be £1,626k against an approved budget of £2,615k resulting in an overall forecast underspend of £989k. There are a number of schemes where budget holders are forecasting completion by the end of the financial year, these include a number of ICT projects, upgrades and replacement to CCTV cameras and equipment, replacement lifeline units, the purchase of environmental maintenance vehicles, and works to the Melton Country Park bridge. A number of schemes are forecasting underspends as follows:
- **LAD2 Energy efficiency measures** – the scheme is now complete, the final outturn is £176k out of that budgeted at £355k, £179k, being the remainder of the grant due, is to be returned.
  - **DFG** – underspend of £681k, ongoing discussions are being undertaken with the lightbulb partnership about how this funding can be used and schemes delivered. Any underspend is likely to be carried forward or there is a possibility that funding may need to be returned to the grant provider.
  - **Asset condition survey works** - £62k saving following review of work requirements, and no longer required and £13k for Cattle Market works to be carried forward into 2023/24.
  - **IT Investment** – a number of schemes will be carried forward into 2023/24. There is a review being undertaken by the partnership on the next planned programme of works which due to a number of issues coming to light are like to require more consultancy to resolve, and therefore could lead to increased costs. Any increases will be funded from the ICT repairs and renewals fund.
- 5.2 In addition to the above it should be noted that the LAD3 - MEH Sustainable Warmth scheme (£550k) is recommended to be removed from the 2022/23 programme as the grant money will now bypass MBC and go directly to the partner organisation as part of the partnership agreement to deliver this scheme. The funding will though continue to be utilised for the benefit of Melton residents.
- 5.3 The financing of the 2022/23 programme is made up of repairs and renewal contributions, external grant funding, third party support and use of capital receipts. Internal borrowing will be required for the LCC Education Infrastructure £250k payment if and when this payment becomes due.

5.4 The balance on capital receipts as at 31<sup>st</sup> Mar 2022 was £817k of which £238k will be used to finance the current year’s programme, leaving a balance of £579k available to finance the 2023/24 capital programme and future years; subject to any further capital receipts being generated.

## 2023/24 Capital Programme

### General Fund

5.5 The proposed General Fund capital programme for 2023/24, as outlined in Appendix B totals £1,015k covering key areas such as ICT investment, DFG’s, EMT and the Asset Development Programme. This consists of:

- £38k ICT investment schemes as part of the renewal and replacement cycle
- £345k of projects in the programme and funded externally – DFG’s
- £40k requests to increase existing projects – specifically EMT vehicles
- £592k to draw down the remainder of the already allocated funding to enable continued progress on the Asset development Programme

5.6 The overall programme, if approved, would be financed through repairs and renewals fund £73k, Capital receipts £253k, direct revenue funding £5k and capital grants from external sources of £684k as outlined in Appendix C.

5.7 For 2023/24 the addition of allocated funding for the Asset Development Programme to be added to the capital programme is set out in the table below.

Capital Scheme	Amount	Funding Source	Comments
Asset Development Programme	£592k	LLEP Grant / Capital receipts	Release of the previous allocation to support continuation of the Asset Development Programme
<p>The total budget available for this programme of work is £875k made up of £500k of LLEP funding and £375k of Council’s capital funding as per the Council’s approval in January 2020. There is currently approval to access £283k for the initial phase of works. The £592k represents the remaining amount of the original £875k allocated to the Asset Development Programme through the capital allocation and Business Rates pool grant funding administered by the LLEP. Spending against this budget will only be permitted through formal Cabinet decisions setting out funding required and rationale. Therefore, £592k is being requested to be added to the capital programme for the use on the remainder of the ADP activities. A progress update on delivery of this scheme is due to be considered by Cabinet elsewhere on this agenda.</p>			

5.8 In addition to the above, there have been some amendments to existing schemes which have been taken into account when preparing the 2023/24 capital programme:

- The next phase of the ICT investment and refresh programme is included in 2023/24 (£38k).

- Environmental Service vehicles – The replacement and renewal programme has been reviewed and a 10 year plan developed resulting in an increased requirement in 2022/23 of £104k to provide total funding of £180k due to more vehicles becoming due for replacement, a further £40k will be required in 2023/24.

- 5.9 In respect of DFGs the current amount included in the capital programme for 2023/24 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 The impact of the UK shared prosperity fund and Levelling Up fund have not been included in the capital programme nor the capital strategy at this stage. These will be incorporated as the programmes for these funding streams are confirmed in line with the appropriate governance process.

### **Capital Strategy**

- 5.11 As part of the updated Prudential Code for Capital Finance in Local Authorities 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, which is being developed, and the approved 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 has been approved during 2022/23 which provides a framework for capital investment planning. The Asset Management Plan will be used to set budgets each year and will be updated on an annual basis. This will ensure that it remains current and relevant in line with a changing financial context and regulatory environment. The Asset Management Plan is an evidence led document. It is informed by a comprehensive condition survey of almost 90% of the Council's housing stock and by consultation with residents as part of the development of the HRA Business Plan
- 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. The stock condition surveys for the General Fund will be used to develop an asset management plan which can be considered alongside the baseline

revenue budget available for repairs to assess ongoing affordability. The capital repairs identified from the surveys will be used to update the capital strategy and inform future capital needs.

## **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 2023-24 alongside the Capital Strategy at the meeting on the 23<sup>rd</sup> February 2023.

## **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 2023/24 General Fund capital programme the estimated balance on Capital Receipts will be only £326k. Whilst this doesn't take into account any further capital receipts that may be generated it does show that the Council's 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: Deputy Monitoring Officer 15.01.23**

## 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 such as the CCTV schemes which have been included in the 2022/23 programme. 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	There are inadequate resources 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				

15.2

Risk No	Mitigation
1	The development of AMP and consideration of funding requirements alongside the MTFs and future budget requirements

## 16 Background Papers

16.1 None

## 17 Appendices

17.1 Appendix A – General Expenses Capital Monitoring 2022-23

17.2 Appendix B – General Expenses Capital Programme 2023-27

17.3 Appendix C – General Expenses Capital Budget 2023-24 Anticipated Financing

17.4 Appendix D – Capital Strategy 2023-24

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