



Capital Programme 2023-2028 – General Fund and Capital Strategy 2024-25

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Lead Member/Relevant Portfolio Holder	Councillor Sarah Cox , Portfolio Holder for Corporate Finance Property and Resources

Corporate Priority:	Ensuring the right conditions to support delivery (inward)
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 This report provides information on the forecast outturn position for 2023/24 for General Fund Capital schemes for both General and Special Expenses and also sets out the proposed General Fund Capital Programme for 2023-28 based on a review of spending in the current year's programme and new and existing schemes included in the programme for later years.
- 1.2 The current CIPFA Prudential Code for Capital Finance in Local Authorities includes 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 2024/25.

2 Recommendations:

That Cabinet:

- 2.1 **Note the capital programme forecast outturn for 2023/24 as set out in Appendix A.**
- 2.2 **Recommend that Council:**
 - 2.2.1 **Approve the removal of the MMDR contribution, condition survey asset works and ICT programme item from the 2023/24 capital programme as referred to in para 5.2;**
 - 2.2.2 **Approve the General Expenses Capital Programme for 2024-28 as attached at Appendix B;**
 - 2.2.3 **Approve the sources of funding for the General Expenses capital programme for 2024/28 as set out in Appendix C;**
 - 2.2.4 **Approve the Special Expenses Melton Mowbray Capital Programme for 2024-25 and associated sources of funding as set out in Appendix D;**
 - 2.2.5 **Delegate authority 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 5.6;**
 - 2.2.6 **Approve the Capital Strategy 2024-25 as attached at Appendix E.**

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 benefit 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 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 2024-28 for General Expenses 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.
- 3.3 There is one item proposed for the Special Expenses capital programme which is summarised in Appendix C.

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 both General and Special Expenses to be funded in the capital programme for 2024/25 in addition to those which have already had funding approved.
- 4.2 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 E as an overarching corporate document includes proposals for all funds including the HRA.

5 Main Considerations

2023/24 Forecast Position

General Fund

- 5.1 The forecast outturn for the 2023/24 General Fund capital programme is expected to be £2,372k against an approved budget of £15,892k of which, £13,217k is expected to be carried forward resulting in an overall forecast underspend of £303k. Details are set out in Appendix A and summarised below:

	Total Budget 23-24 (£'000)	Year End Forecast (£'000)	Projected Carry Forward (£'000)	Variance (-) = Underspend (£'000)
Great Council	201	76	103	(22)
People	15	15	0	0
Place	15,676	2,281	13,114	(281)
Total General Expenses	15,892	2,372	13,217	(303)

- 5.2 The key areas to note are:

Great Council

The relates to the ICT capital programme which has a number of projects that will be delivered but the majority of spend is anticipated to be undertaken in the final quarter of this financial year with some also being carried forward into the next financial year. One scheme is now going to be delivered through the revenue budget as part of a different implementation process.

People

There is one scheme in this area for the purchase of digital lifeline units to replace the analogue units which has been completed.

Place

The most significant items in this priority is the delivery of the Levelling Up Fund scheme and the Asset Development Programme (ADP) which will be spread over a number of financial years. The total amounts have been initially included in the capital programme for 2023/24 but the majority of both these budgets will be carried forward into 2024/25.

On the ADP programme, following ICB confirmation that Parkside is the preferred location for a second GP surgery in Melton, the Council is working closely with health colleagues to explore design and costs for this work. The cost of the works will be shared with health services. It is proposed to utilise the allocation of funds for ADP phase 2 from the capital programme to support this work with the initial design phase. A business case was intended to be submitted prior to Phase 2 monies being utilised however there is a need to incur this expenditure now to inform the business case which will now be presented to the Council later this year for consideration of next steps.

MMDR (£250k) – The planned borrowing to fund the LCC Education Infrastructure capital contribution, arising from the previously approved Staged Payment Agreement, is now no longer required due to Leicestershire County Council's decision not to progress with the scheme at this time. Consequently, the aforementioned agreement that was in place has now fallen away and until any new agreement is established, there is no funding commitment required by this Council. Whilst the Council has made a commitment to continue working with the County Council on alternate ways to deliver the MMDR south, and support the Local Plan, at this stage it is proposed that the scheme be removed from the capital programme.

Within the condition survey asset works the scheme on the Cattle Market farmers market works are no longer required (£13k) alongside an ICT project for Network Access Controllers (£22k) which is going to be carried out within the revenue budget now through a different process. These schemes will therefore be proposed to be removed from the capital programme.

2024/25 Capital Programme

General Fund

- 5.3 The proposed General Fund capital programme for 2024/25, as outlined in Appendix B totals £2,792k covering the key areas as summarised below:
- £2m Leisure investment and energy works
 - £345k of projects in the programme and funded externally – DFG's.
 - £210k ICT infrastructure works
 - £92k for next replacement cycle of EMT vehicles
 - £145k on high priority items as outlined in the new Asset Management Plan
- 5.4 The overall programme, if approved, would be financed through repairs and renewals fund £92k, Capital receipts £305k, Regeneration and Innovation Reserve £50k and capital grants from external sources of £2,345k as outlined in Appendix C.

5.5 For 2024/25 the individual schemes that constitute the new proposed capital programme and proposed funding are outlined below:

Capital Scheme	Amount	Funding Source	Comments
Asset Management plan works <ul style="list-style-type: none"> • Car Park Resurfacing • Estate Management module • Street lighting upgrades 	£145k	Capital receipts / Regen and Innovation Reserve	Assessment Management Plan high priority items for 2024/25
<p>The newly created Asset Management Plan (AMP) sets out a 5 year plan for works required to maintain and improve General Fund Council Assets. For 2024/25 the items above have been identified as high priority works. It is proposed to fund the Estate Management Module from the Regen and Innovation reserve (£50k) with the remainder of asset works being funded from capital receipts (£95k). In regards to the street light upgrades it is proposed to include an annual allocation of £50k as part of the rolling replacement programme over the 5 year AMP period with each year being considered on its merits for funding against other priorities.</p>			
Capital Scheme	Amount	Funding Source	Comments
<ul style="list-style-type: none"> • Leisure Investment 	£2m	External Grant Funding	£1.735m of this has been approved as part of the Council decision to award the new leisure contract in Dec 23
<p>The Leisure investment is spit into 2 schemes, £1.735m for the investment works linked to the new contract and a further £265k on energy efficiency works. The previous £2m allocation from the LLEP regarding future leisure provision is in the process of being secured to support the upcoming works.</p>			
Capital Scheme	Amount	Funding Source	Comments
<ul style="list-style-type: none"> • ICT infrastructure works 	£210k	Capital receipts	Requirements linked to ICT partnership infrastructure requirements
<p>There have been a number of IT outages across the Leicestershire ICT partnership which has caused loss of services to both staff and the public. Following an independent diagnostic review of the IT infrastructure across the partnership a range of work has been identified as being required to ensure future IT stability. Detailed estimates are now being sought for this work and the £210k represents the best estimate of Melton's share of this cost.</p>			

- 5.6 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 required to the capital programme it is proposed that Council give delegated authority to the Director for Corporate Services to amend the amount in the capital programme once funding confirmation has been received.
- 5.7 As part of the Council's rolling programme for the environmental maintenance team vehicle and frontline service machine replacements the next allocation for 2024/25 is £92k.

Special Expenses

- 5.8 For 2024/25 there is one scheme proposed which is the additional of a new commemorative wall at the cemetery for £10k which will be funded through special expenses capital receipts as outlined in Appendix D.

Capital Strategy

- 5.9 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.
- 5.10 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 by the corporate property team to then feed into the annual budget process.
- 5.11 An updated HRA business plan was 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
- 5.12 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 have been used to develop an asset management plan which has been 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.
- 7.2 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 2024-25 alongside the Capital Strategy at the meeting on the 8th February 2024.

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 2024/25 General Fund capital programme the estimated balance on Capital Receipts will be only £506k. 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
- 9.3 For Special Expenses the estimated balance on Capital Receipts will be £217k if the one scheme is approved for 2024/25 and whilst there are no further schemes identified at present there is an emerging need to identify land for future cemetery provision which coupled with the associated development costs will require significantly more funding than the estimated balance currently.

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: Insert Reviewer (MO or deputy)

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 Data Protection Implications (Mandatory)

A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons.

13 Community Safety Implications

- 13.1 No implications have been identified.

14 Environmental and Climate Change Implications

- 14.1 No implications have been identified.

15 Other Implications (where significant)

- 15.1 No other implications have been identified

16 Risk & Mitigation

- 16.1 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
2	ADP capital spend to date has to be charged to revenue due to no capital expenditure having been incurred and therefore capital receipts funding can't be used.	High	Critical	High Risk

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

Risk No	Mitigation
1	Refreshed AMP and consideration of funding requirements alongside the MTFS and future budget requirements
2	The ADP project delivers a capital development project in a timely manner so that the funding can meet the capital accounting requirements.

17 Background Papers

17.1 None

18 Appendices

18.1 Appendix A – General Expenses Capital Monitoring 2023-24

18.2 Appendix B – General Expenses Capital Programme 2024-28

18.3 Appendix C – General Expenses Capital Budget 2024-25 Anticipated Financing

18.4 Appendix D – Special Expenses Capital Budget 2024-25 and Anticipated Financing

18.5 Appendix E – Capital Strategy 2024-25