

CAPITAL PROGRAMME 2018/19 – 2021/22

Cabinet Member Cllr Peter Hare Scott
Responsible Officer Andrew Jarrett Director of Finance Assets & Resources

Reason for Report: To seek approval of the 2018/19 Capital Programme and note the draft 2019/20, 2020/21 & 2021/22 programmes.

RECOMMENDATIONS: That the Cabinet recommend to Full Council:

- 1. The detailed Capital Programme for 2018/19 be approved and the estimated amounts for 2019/20, 2020/21 & 2021/22 be noted.**
- 2. To agree to earmark New Homes Bonus (NHB) monies of £828k to support the 2018/19 Capital Programme (see para 2.3).**

Relationship to the Corporate Plan: The Capital Programme identifies the capital investment proposed across all strands of the Corporate Plan over the next four years.

Financial Implications: The Capital Programme submitted for 2018/19 is fully funded; however this includes £4,000k anticipated PWLB borrowing to fund various asset acquisitions as part of the district wide redevelopment project. Future capital receipts are now estimated at such a low level that the Council needs to evaluate ways of making additional provision to fund its long term capital programme or reduce its property portfolio. This is especially relevant after recent announcements on the future of New Homes Bonus.

Legal Implications: See comments below in relation to spending of grants and receipts.

Risk Assessment: There is a risk of claw back of external funds if sums received are not spent in accordance with the terms on which they were given, or not within agreed timescales. Useable Capital Receipts for 2018/19 have been projected at a prudent level of £350k but there is a risk that if these do not materialise, the authority may need to delay scheme start dates to the following financial year or to make a revenue contribution to Capital to ensure full programme delivery.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction

- 1.1** The proposed Capital Programme has been produced following detailed consultation with spending officers and is now mainly focused on essential asset maintenance, funding a range of private sector housing projects,

modernisation of our refuse and recycling vehicles, ICT replacement and investment and ensuring that our existing housing stock is maintained to the decent homes standard. The programme also includes Council House building projects and spend to save projects that will only be undertaken if a robust business case demonstrates an acceptable payback period. This year additional projects include: various asset acquisitions as part of the district wide redevelopment project, various proposed Economic Development schemes that are dependant on successful funding bids together with acceptable business cases.

- 1.2 A significant amount of work was undertaken when producing the Council's Medium Term Financial Plan (MTFP) during the late summer which helped to scope the size and funding of the 2018/19 capital programme. A number of subsequent meetings were held with service managers which focused on the essential projects (in terms of end of life asset replacement or health and safety) and involved reprioritising or rescheduling expenditure to future years.

2.0 The 2018/19 Capital Programme

- 2.1 Through reprioritisation of capital projects the Council has been able to set a balanced capital programme for 2018/19. Appendix 1 shows the proposed Capital Programme for 2018/19 which totals £10,004k.

- 2.2 The 2018/19 Capital Programme is fully funded by a combination of:

General Fund Project Funding Sources	Amount of Funding
S106 & Affordable Housing Contributions	116
Capital Reserve	65
DCLG (Disabled Facilities Grant)	552
New Homes Bonus (NHB)	807
Contrib from Private Sector Housing EMR	106
Contrib from Vehicle sinking fund EMR's	52
Contribution from existing Useable Capital Receipts	68
PWLB Borrowing	4,000
Other Funding	87
Total Funding General fund Projects	£5,853k
HRA Project Funding Sources	Amount of Funding
Contribution from existing Useable Capital Receipts	117
Use of forecast Useable Capital Receipts to be generated in 2018/19	350
Major Repairs Allowance	2,101
New Homes Bonus (NHB)	21
Use of forecast Replacement Homes Capital Receipts	590

Contrib from Renewable Energy fund EMR	100
Contrib from Housing Maintenance Fund	800
*Contrib from Affordable Rents Surplus EMR	72
Total Funding HRA Projects	£4,151k
Total Funding (GF & HRA)	£10,004k

* Note Affordable Rents Surplus is the additional amount generated from new Council Houses let at affordable rents as opposed to social rent historically charged for our Council Homes.

- 2.3 The 2018/19 Capital Programme requires £828k (£807k General Fund + £21k HRA) of New Homes Bonus (NHB) funding to ensure it is balanced. Further contributions from NHB are required over the life of the MTFP, with the forecast contribution amounting to £2,859k for 2019/20, 2020/21 and 2021/22.
- 2.4 Recent announcements on NHB will see our annual receipt fall from £1.7m in 2017/18 to £1.1m in 18/19 to circa £0.95m from 2019/20 onwards. Clearly this will have a major funding impact on the size of future capital programmes. Recent Central Government advice has stated that calculations could also be revisited from 19/20 onwards; any changes will need to be factored into our future MTFP.
- 2.5 A contribution is expected from the Housing Maintenance Fund (30 year maintenance plan) of £800k in order to deliver the HRA related projects identified in the 18/19 Capital Programme. Further contributions from this reserve will be required to deliver council house building aspirations identified in our MTFP amounting to £10,577k for 2019/20, 2020/21 and 2021/22. The remainder of these schemes will be mainly funded by a combination of useable capital receipts (general and replacement homes receipts) and to take advantage of current favourable PWLB borrowing rates. (See Para 4.2)
- 2.6 A deliverable programme of £2,101k has been identified to maintain our existing council house stock, the balance of available monies will remain in the Housing Maintenance Fund in order to deal with future additional spend that has been identified by the stock condition survey.
- 2.7 Appendix 2 shows the MTFP, which was presented at the October 2017 Cabinet. Appendix 1 shows, the 18/19 Capital Programme that has evolved from the MTFP and has been refreshed with up to date information on expenditure and funding as referred to in paragraphs 2.1 to 2.6 above. A summary of the subsequent 3 years is shown in the table below.

MTFP summary 2019/20, 2020/21 & 2021/22

	2019/20 (£k)	2020/21 (£k)	2021/22 (£k)
Total General Fund Capital Projects	12,540	11,560	11,867
Total HRA Capital Projects	12,516	7,418	7,384
Total GF & HRA Capital Projects	25,056	18,978	19,251

For a detailed breakdown please refer to Appendix 2

- 2.8 The further into the future we try to predict the more difficult it is to do with the same level of certainty, therefore although 2020/21 and 2021/22 give an indication of the likely resource required during these years, we will know with a greater level of certainty nearer the time, therefore the predicted level of expenditure may well change.

3.0 Funding the Capital Programme

- 3.1 NHB funding forms a substantial amount of the funding of this programme (as referred to in para 2.3 above) (£3,687k over the four years which includes £828k in 18/19). The significant change in NHB funding (referred to in para 2.4), will impact on our future capital programmes and they may need to be curtailed to match the funding we have available.
- 3.2 Due to the very low level of estimated new capital receipts for 2018/19, only a small number of new Council funded schemes have been incorporated in the Capital Programme. Council house sales have been predicted at 20 sales per annum for the life of this programme. The Government Pooling arrangements mean a proportion of the sale is pooled to the government, a proportion is retained in a ring fenced reserve for replacement house building (linked to the HRA self-financing arrangements that have been in place since 01/04/12) and the balance is retained by the authority as a useable capital receipt, which can be used to support our Capital Programme.
- 3.3 The projected level of usable capital receipts available for 2018/19 is £535k (this is made up of £350k, net of pooling, estimated to be generated from sales in 2018/19 and a contribution of £185k (£68k + £117k) from existing Useable Capital Receipts). All other previously generated capital receipts have been used to balance the subsequent years of the MTFP.
- 3.4 The figures assumed for receipts from the sale of assets have been calculated prudently and therefore if any additional receipts are generated we can return to some of the projects which could not be funded in the first instance and consider their inclusion. Any such decision (subject to constraints within the financial rules) would require Full Council approval and be linked to the Corporate Plan priorities.

3.5 Additional sinking funds have been created for future replacement of Leisure plant and equipment totalling £75k and £190k for future replacement of ICT systems and equipment; this ensures the revenue base budget is more realistic in that we are making provision to replace assets in much the same way as we have for our vehicle fleet.

4.0 Council Borrowing

4.1 Prudent borrowing has been estimated for 2018/19, this will be used to fund the proposed project for asset acquisitions as part of the district wide redevelopment project (subject to a rigorous business case assessment) their cost will determine the amount of prudential borrowing required which is currently budgeted at £4,000k.

4.2 Borrowing is also envisaged in 2019/20, 2020/21 and 2021/22 to deliver the proposed Waddeton Park Council House Building Scheme. Borrowing is only considered in exceptional circumstances, whether in relation to the projects detailed above or for spend to save projects following a robust cost/benefit analysis exercise that would be able to demonstrate both an acceptable 'payback period' and that savings would be generated in excess of the annual revenue cost of servicing the debt.

5.0 Conclusion

5.1 As previously mentioned, the Capital Programme for the next four years is limited due to the scarce availability of funding (with the exception of borrowing). It is, therefore, imperative that capital funds are only spent on those projects which enable the Council to deliver its Corporate Plan objectives or reduce operational cost or generate a financial return.

5.2 Due to the continuing austerity programme being implemented by Central Government the Council is beginning to explore more commercial options in order to balance budgets. Examples include: regeneration projects and land or building acquisition; any such projects will need to be justified through robust business cases. Projects of this type will need significant capital funding either from existing receipts or from longer term borrowing. All members will be kept informed of any developments in these areas.

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Background Papers:	Capital Bid Submissions and workings for MTFP
File Reference	None
Circulation of the Report:	Management Team

