

CAPITAL PROGRAMME 2015/16 – 2018/19

Cabinet Member Cllr Peter Hare Scott
Responsible Officer Head of Finance

Reason for Report: To seek approval of the 2015/16 Capital Programme and note the draft 2016/17, 2017/18 & 2018/19 programmes.

RECOMMENDATIONS: That the Cabinet recommend to Full Council:

- 1. The detailed Capital Programme for 2015/16 be approved and the estimated amounts for 2016/17, 2017/18 & 2018/19 be noted.**
- 2. To agree to earmark New Homes Bonus (NHB) monies of £1,878k to support the 2015/16 Capital Programme (please 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 2015/16 is fully funded. 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.

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 2015/16 have been projected at a prudent level of £380k 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.

1.0 Introduction

- 1.1** The proposed Capital Programme has been produced following detailed consultation with spending officers and in the main is now 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.

- 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 2015/16 capital programme. A number of subsequent meetings were held with service managers which focused on the essential projects (in terms of asset end of life replacement or health and safety) and involved reprioritising or rescheduling expenditure to future years. The MTFP plan has been reviewed by Capital Strategy and Asset Management Group (CSAG) in October 2014 (in draft form) and subsequently in January 2015.
- 1.3 Since presenting the MTFP report to Cabinet on 30/10/14 and the updated Medium Term Financial Statement on 27/11/14 it has been a constantly evolving document that has been updated and refreshed as information became available. The main areas of movement since the original document are:
- Establishing the capital cost of introducing the new refuse & recycling scheme that is due to go live in Oct '15.
 - Establishing the costs to modernise our refuse and recycling vehicles that will enable delivery of the new scheme mentioned above.
 - Detailing future schemes to enable additional Council House delivery
 - Establishing a deliverable programme to maintain our current housing stock

2.0 The 2015/16 Capital Programme

- 2.1 Through reprioritisation of capital projects the Council has been able to set a balanced capital programme for 2015/16. Appendix 1 shows the proposed Capital Programme for 2015/16 which totals £11,934k.
- 2.2 The 2015/16 Capital Programme is fully funded by a combination of:

| Funding Sources | Amount of Funding |
|---|--------------------------|
| Section 106 | £321k |
| Capital Reserve | £65k |
| Contribution from existing Useable Capital Receipts | £25k |
| Use of Capital Receipts to be generated in 2015/16 | £380k |
| MRA (includes additional money re major works 30 year plan) | £2,900k |
| DCLG (Disabled Facilities Grant) | £311k |
| New Homes Bonus (NHB) | £1,878k |
| Contrib fr Regional Housing Pot Reserve | £12k |

| | |
|---|-----------------|
| Revenue Contribution from HRA 2015/16 | £139k |
| Contrib from 1-4-1 Receipts reserve | £300k |
| Contrib from Vehicle sinking fund EMR's | £354k |
| Contrib from Renewable Energy fund EMR | £270k |
| Contrib from Housing Maintenance Fund | £4,700 |
| Contrib from Private Sector Housing EMR | £201k |
| Contrib from Capital Grants | £78k |
| Total Funding | £11,934k |

- 2.3 An item to note is that to balance the 2015/16 Capital Programme requires £1,878k of New Homes Bonus (NHB) funding. Further contributions from NHB are required over the life of the MTFP; this is evident from the table below with the contribution amounting to £3,146k for 2016/17, 2017/18 and 2018/19.
- 2.4 A significant contribution is expected from the Housing Maintenance Fund of £4,700k in order to deliver the three council house building schemes identified in the 15/16 Capital Programme. The remainder of these will be funded by £300k projected receipts from sales of Right to Buy council houses that will be ring fenced for council house building under Central Government Pooling regulations.
- 2.5 A deliverable programme of £2,900k has been identified to maintain our existing council house stock, the balance of available monies of £3,500 (£600k) will remain in the Housing Maintenance Fund in order to deal with future additional spend that has been identified by the stock condition survey.
- 2.6 A programme of renewable heating solutions and external wall insulation amounting to £270k will be funded from the Renewable Energy fund earmarked reserve, this has been built up from income received from installation of solar panels on circa 1,150 of our council Houses.
- 2.7 Appendix 2 shows the full MTFP, which was first presented at 30/10/14 Cabinet, this has been refreshed with upto date information on expenditure and funding and includes the proposed 2015/16 Capital Programme referred to in Appendix 1 and paragraphs 2.1 to 2.6 above. A summary of the subsequent 3 years is shown in the table below.

MTFP summary 2016/17, 2017/18 & 2018/19

| Capital Projects | 2016/17 (£k) | 2017/18 (£k) | 2018/19 (£k) |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| Private Sector Housing Projects | 572 | 583 | 595 |
| Replacement Vehicles | 160 | 54 | 742 |
| Leisure related projects | 95 | 50 | 580 |
| Depot relocation | 2,500 | 0 | 0 |

| | | | |
|---|-----------------|-----------------|----------------|
| Other General Fund related Schemes | 1,456 | 1,116 | 1,031 |
| HRA maintenance of existing stock & DFG's | 3,797 | 3,803 | 3,809 |
| HRA Council House Building Projects(1) | 9,000 | 5,000 | 0 |
| Total Capital Projects | 17,580 | 10,606 | 6,757 |
| | | | |
| Funded by: | | | |
| Land/property Sales | (380) | (380) | (380) |
| DCLG grant re Private Sector DFG's | (254) | (254) | (254) |
| HRA Revenue Contribution to Capital | (50) | (74) | (50) |
| MRA (includes additional money re major works 30 yr plan) | (3,500) | (3,500) | (3,500) |
| Contrib from Housing Maintenance Fund | | (2,200) | |
| Contrib from 1-4-1 Receipts reserve | (300) | (300) | |
| Section 106s | (321) | (321) | (321) |
| Contrib from Vehicle sinking fund EMR's | (95) | 0 | (528) |
| Other Reserves(2) | (102) | (101) | (101) |
| New Homes Bonus (NHB) | (901) | (799) | (1,446) |
| Contrib from Private Sector Housing EMR | (477) | (177) | (177) |
| PWLB Borrowing – HRA(1) | (8,700) | (2,500) | 0 |
| PWLB Borrowing – General Fund | (1,500) | | |
| Projected Capital receipt for Town Hall & depot rationalisation | (1,000) | | |
| Total Funding | (17,580) | (10,606) | (6,757) |
| Funding Gap | 0 | 0 | 0 |

(1) Council House Building projects need to be revisited by Finance & Housing officers to assess whether they can be delivered within the existing borrowing head room cap set by Central Government

(2) For 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 so with the same level of certainty, therefore although 2017/18 and 2018/19 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 New Homes Bonus (NHB) funding forms a substantial amount of the funding of this programme (£5,024k over the four years which includes £1,878k in 2015/16). Due to uncertainty over forthcoming elections and the fact that this funding could be reduced or even removed in the future it is important to be aware that if it is, our future Capital programmes will 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 2015/16, only a small number of new Council funded schemes have been incorporated in the Capital Programme. Council house sales have been predicted at 14 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 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 2015/16 is £405k (this is made up of £380k, net of pooling, estimated to be generated from sales in 2015/16 and a contribution of £25k from existing Useable Capital Receipts). All 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 be with the agreement of the Finance Portfolio Holder and the relevant Portfolio Holder and would be reported back to the Cabinet. Clearly, any such decisions would be made in accordance with priorities detailed in the Corporate Plan.
- 3.5 Due to the pressure on the revenue budget we no longer propose to make a revenue contribution from the General Fund. At this point in time NHB grant enables this but if this funding were to be curtailed in the future we may have to contribute monies from the general fund to support essential capital projects.

4.0 Council Borrowing

- 4.1 With regard to funding all other aspects of the Capital Programme no prudential borrowing has been estimated for 2015/16. However this would be required in 2016/17 & 2017/18 to deliver Council House Building Projects and in the medium term it is highly likely that we may need to relocate our Waste & Recycling service, if this was the case we would need to borrow. Borrowing is only considered in exceptional circumstances, either in relation to projects detailed above or in relation to spend to save projects following a robust cost benefit analysis exercise that would be able to demonstrate 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. It is, therefore, imperative that capital funds are only spent on those projects which enable the Council to deliver its Corporate Plan objectives.

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