

CABINET
13 FEBRUARY 2020

CAPITAL PROGRAMME 2020/21 – 2023/24

Cabinet Member Cllr Alex White
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151)

Reason for Report: To seek approval of the 2020/21 Capital Programme and note the draft 2021/22, 2022/23 and 2023/24 programmes.

RECOMMENDATIONS: That the Cabinet recommend to Full Council:

- 1. The detailed Capital Programme for 2020/21 be approved (including an additional £75k for the loan for the Crediton GP Hub) and the estimated amounts for 2021/22, 2022/23 and 2023/24 be noted.**
- 2. To agree to earmark New Homes Bonus (NHB) monies of £1.068m to support the 2020/21 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 2020/21 is fully funded. It does, however, include £19.579m anticipated PWLB borrowing to fund various projects including Cullompton Town Centre Relief Road £3.380m, Land Acquisition £0.400m, additional monies to that approved in 19/20 for the GP Practice NHS hub building £0.075m, Waddeton Park scheme £3.605m and 3 Rivers Development Company committed projects of £12.119m. Future capital receipts are now estimated at such a low level that the Council needs continue 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 clawback 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 2020/21 have been projected at a prudent level of £570k 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 would be nil.

Impact on Climate Change: There are no direct impacts from the content of this report. Any major asset replacements/upgrades will, however, consider the environmental impact in relation to carbon footprint.

1.0 Introduction

- 1.1 The proposed Capital Programme has been produced following detailed consultation with officers and is now mainly focused on essential asset maintenance, funding a range of private sector housing projects, 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 2020/21 capital programme. A number of subsequent meetings were held with Group 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 2020/21 Capital Programme

- 2.1 Through reprioritisation of capital projects the Council has been able to set a balanced capital programme for 2020/21. Appendix 1 shows the proposed Capital Programme for 2020/21, which totals £27.220m.
- 2.2 The 2020/21 Capital Programme is fully funded by a combination of:

General Fund Project Funding Sources	Amount of Funding £k
S106 & Affordable Housing Contributions	145
Capital Reserve	42
DCLG (Disabled Facilities Grant)	647
New Homes Bonus (NHB)	1,047
HIF Funding	430
Contribution from existing Useable Capital Receipts	70
PWLB Borrowing	19,579
Other Funding (other earmarked reserves)	50
Total Funding General fund Projects	22,010
HRA Project Funding Sources	Amount of Funding £k
Contribution from existing Useable Capital Receipts	541
Use of forecast Useable Capital Receipts to be generated in 20/21	570
Major Repairs Allowance	2,260

New Homes Bonus (NHB)	21
Use of forecast Replacement Homes Capital Receipts	750
Contrib from Renewable Energy fund EMR	150
Contrib from Housing Maintenance Fund	846
*Contrib from Affordable Rents Surplus EMR	72
Total Funding HRA Projects	5,210
Total Funding (GF & HRA)	27,220

* 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 2020/21 Capital Programme requires £1.068m (£1.047m General Fund + £0.021m 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 contributions amounting to £1.995m for 2021/22, 2022/23 and 2023/24.
- 2.4 We are aware that the mechanism behind allocating NHB will change in the near future. This is a major risk to the availability of funding for our future capital programme. The Revenue report highlights the need to explore other revenue income streams to try to mitigate reduction in NHB but this will of course be challenging.
- 2.5 A contribution is expected from the Housing Maintenance Fund (30 year maintenance plan) of £0.846m in order to deliver the HRA related projects identified in the 20/21 Capital Programme. Further contributions from this reserve will be required to deliver council house building aspirations identified in our MTFP amounting to £3.692m for 2021/22 and 2022/23. The remainder of these schemes will be mainly funded by a combination of useable capital receipts (general and replacement homes receipts).
- 2.6 A deliverable programme of £2.260m 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 1 shows, the 20/21 Capital Programme that has evolved from the MTFP and Appendix 2 shows the updated MTFP, which was originally presented at the October 2019 & subsequently at the January 2020 Cabinet; this 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 2021/22, 2022/23 & 2023/24

	2021/22 £k	2022/23 £k	2023/24 £k
Total General Fund Capital Projects	20,568	18,150	1,595
Total HRA Capital Projects	6,485	6,310	3,310
Total GF & HRA Capital Projects	27,053	24,460	4,905

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 2022/23 and 2023/24 give an indication of the likely resource required during these years, we will know with a greater level of certainty nearer the time and 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) (£3.063m over the four years which includes £1.068m in 20/21). The anticipated change in NHB funding (referred to in para 2.4), may impact on our future capital programmes and those proposed projects 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 2020/21, only a small number of 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 2020/21 is £1.181m (this is made up of £0.570m, net of pooling, estimated to be generated from sales in 2020/21 and a contribution of £0.611m (£0.07m GF + £0.541m HRA) 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 We continue to set aside sinking funds for future asset maintenance, replacement of Leisure plant and equipment and for future replacement of ICT systems and equipment. This ensures the revenue base budget is more robust and that we are making adequate provision to replace assets in much the same way as we have in the past for our vehicle fleet.

4.0 Council Borrowing

4.1 Prudential borrowing has been estimated for 2020/21, this will be used to fund General Fund schemes amounting to £19.579m which includes development schemes, infrastructure (Cullompton Relief Road) and land acquisition schemes. All schemes will be subject to a rigorous business case assessment; their cost and timing of spend will determine the amount of actual prudential borrowing required.

4.2 Borrowing is also envisaged in 2021/22, 2022/23 and 2023/24 amounting to £18.660m to deliver General Fund projects which includes similar projects mentioned in 4.1: development projects, infrastructure (Cullompton Relief Road) and land acquisition schemes. 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.

Contact for more information: Andrew Jarrett, Deputy Chief Executive (S151)
01884234242(ajarrett@middevon.gov.uk)
Robert Fish, Principal Accountant
01884 234313 rfish@middevon.gov.uk

Circulation of the Report: Cabinet

Background Papers: Capital Bid Submissions and workings for MTFP

File Reference None