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| Report to: | Cabinet | 06 February 2023 |
| Lead Cabinet Member: | John Williams, Lead Cabinet Member for Resources | |
| Lead Officer: | Peter Maddock, Head of Finance | |

Capital Programme 2023/2024 to 2027/2028

Executive Summary

1. To consider the Council's Capital Programme for financial years 2023/2024 to 2027/2028.

Key Decision

2. No

Recommendations

3. **It is recommended that Cabinet consider the report and, if satisfied, to recommend to Full Council the revised General Fund Capital Programme outlined at Appendix A.**

Reasons for Recommendations

4. To enable the Cabinet to consider variations to the Capital Programme 2022/2023 to 2026/2027 that was approved by Cabinet at its meeting on 12 December 2022.

Details

5. The Capital Programme is prepared on a five-year rolling programme in accordance with the Capital Strategy. The Cabinet is, therefore, requested to consider the programme for 2022/2023 (being the current year), 2023/2024, 2024/2025, 2025/2026, 2026/2027 and 2027/2028 financial years and to make recommendations to Council on 21 February 2023.
6. In determining its Capital Programme, the Council must comply with the regulations relating to the Prudential Framework for Capital Finance in local authorities and related prudential indicators, i.e. is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). Due regard should, therefore, be given to:
 - (i) The estimate of available capital finance (from borrowing and capital receipts if any) needed to cover existing committed schemes and any residual sum available for uncommitted and future priority schemes.

- (ii) The estimate of capital finance resource becoming available in the ensuing four years for uncommitted schemes and new priority schemes (e.g., from external borrowing, forecast new capital receipts (if any) or external funding).
 - (iii) The estimated revenue implications (estimated at £45,000 per year per £1 million borrowed over 25 years) of the proposed total programme and impact on Council Tax in terms of affordability.
7. Consequently, the number of new priority capital schemes which can be approved at each annual review of the programme, and during the financial year, will be limited by these affordability factors. The corporate focus of capital investment will need to accord with the Business Plan and the requirements of the updated Capital Strategy (see separate report on the agenda).
 8. To enter into excessive long-term borrowing would only exacerbate the financial position and, on this basis, it is strongly recommended that the Cabinet only agrees a level of capital investment that is affordable in the long term.
 9. The proposed changes to the capital programme since it was approved by Cabinet on 12 December 2022 are identified in the full Capital Programme from 2022/2023 (current year) to 2027/2028 at **Appendix A**.
 10. The table below sets out a summary of the revised Capital Programme based on the latest estimates of project completion dates and cash flows with an explanation of the key variations.

| Summary Capital Programme | 2023/2024 £'000 | 2024/2025 £'000 | 2025/2026 £'000 | 2026/2027 £'000 | 2027/2028 £'000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross Directorate Budgets: | | | | | |
| Chief Executive | 11,419 | 10,334 | 10,000 | 10,000 | 10,000 |
| Head of Climate, Waste & Environment | 2,572 | 5,460 | 4,484 | 974 | 1,728 |
| Head of Finance | 272 | 261 | 261 | 251 | 242 |
| Head of Housing | 13,155 | 13,737 | 8,271 | 1,405 | 1,405 |
| Head of Transformation, HR & Corporate Services | 2,049 | 83 | 725 | 515 | 615 |
| Gross Total | 29,467 | 29,875 | 23,741 | 13,145 | 13,990 |
| Financed By: | | | | | |
| Grants / Contributions | 14,994 | 11,023 | 6,562 | 1,290 | 1,780 |
| Revenue | 3,401 | 2,963 | 2,986 | 712 | 974 |
| Capital Receipts | 7,092 | 5,889 | 4,193 | 1,143 | 1,236 |
| Borrowing | 3,980 | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Financing | 29,467 | 29,875 | 23,741 | 13,145 | 13,990 |

Key variations are summarised as follows:

New Capital Schemes

11. New bids for capital expenditure were included in the previous update to the capital programme submitted to Cabinet on 12 December 2022. The programme presented has changed in relation to those schemes as summarised by below:
 - a. The Council has bid for an amount of funding from the UK Prosperity Fund allocation to help with various revenue and capital projects. An amount of £1.753

million has been included in the programme for 2023/24 and 2024/25. £1.168 million will be treated as Revenue expenditure funded from capital as it does not result in the creation of a Council asset, but the expenditure is of a capital nature.

Revised Schemes & Reprofiting

12. Since the Cabinet meeting, held on 12 December 2022, further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure. This has reduced the gross budget for 2022/23 by £526,000, for 2023/24 increased by £1.688 million and for 2024/25 increased by £334,000. The revised spend profile is set out in detail in **Appendix A** and summarised below:
 - a. The purchase of the electric street cleansing vehicles originally included in 2022/2023 has been moved into 2023/2024 due to a change in the timing of the delivery of the vehicles.
 - b. The truck replacement project initially planned for 2023/24 has been rephased to occur in both 2022/23 and 2023/24 due to a vehicle becoming available for purchase sooner than initially anticipated.
 - c. An additional £30,000 has been included in 2023/24 for the proposed electric vehicle charging points parish grant scheme funded from the Renewables reserve.

Capital Programme Financing

13. The Council will need to rely on borrowing to fund capital investment going forward and this has a direct impact on the revenue budget. The level of borrowing is clearly a factor that needs to be considered by the Council, but excessive borrowing must be considered with caution as repayment of any loans would fall on Council Tax, at a time when significant budgetary savings must be made to avoid an unacceptable increase in Council Tax or reductions in key services.
14. The use of Capital Receipts is prescribed by Regulations made under the Local Government Act 2003. Where excess Capital Receipts are held, i.e. not needed to finance capital expenditure in year, then the Council can either (i) carry any unapplied balance forward into subsequent years or (ii) reduce the Capital Financing Requirement and, as a consequence, reduce MRP (i.e. generate a revenue saving with effect from the following year).

Scheme Commitments

15. To help safeguard the Council capital resources, the revised Capital Strategy only allows schemes to be actually committed when sufficient capital finance has been identified to cover the full forecast cost and where the estimated ongoing revenue consequences have been taken into account and approved by Council as affordable.

Options

16. The option exists to vary the capital programme, but the allocations included reflect Business Plan priorities and decisions previously made by the Council, including the last update to the capital programme on 12 December 2022 and any further slippage identified since then.

Implications

17. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

18. The Capital Programme is financed from a number of sources including specific grants/external funding, capital receipts, direct revenue financing, Section 106 and borrowing. Borrowing defrays the cost of the capital spending over a predetermined period of time and gives rise to the Minimum Revenue Provision (MRP) being the setting aside of Revenue Budget for the repayment of debt. The overall programme must be assessed in terms of estimated revenue implications of each scheme including their impact on Council Tax in terms of affordability.
19. In determining its Capital Programme, the Council must have regard to the Prudential Framework i.e. is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). The Capital Strategy, therefore, requires the Council to consider the proposed capital programme having regard to the CIPFA prudential indicators and the Council will consider the extent of borrowing based upon these.

Legal

20. The Local Government Act 2003 provides the legal basis for capital finance, namely a general power to borrow and a duty to set an affordable borrowing limit. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits.
21. In respect of individual capital schemes, some are legally unavoidable whereas others are discretionary but undertaken within the powers available to the Council.

Risks/Opportunities

22. In relation to Capital resources, the following risks should be taken into account when considering this report:
 - (i) New capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding.
 - (ii) The forecast cost/timing of existing schemes and the ability to undertake schemes may vary as implementation is undertaken.
 - (iii) Forecast capital receipts may not be achieved which will result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing.
 - (iv) There is a risk that external contributions may not fully materialise and, as such, there is a risk that schemes relying on external funding may require alternative sources of funding to be identified.

Consultation responses

23. None, except budget holders.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

24. The Council is committed to providing new homes for tenants through the New Build programme which has been built into the Capital Programme for 2022/2023 and subsequent years. This report supports the Councils business plan by recommending rephasing budgets where required in the housebuilding programme.

Being green to our core

25. The Capital Programme provides an update on a number of schemes which relate to the green to our core element of the Councils business plan.

Background Papers

- Budget Reports – Report to Cabinet: 07 February 2022
- Budget Reports – Report to Council: 22 February 2022
- General Fund Medium Term Financial Strategy – Report to Cabinet: 12 December 2022
- General Fund Capital Programme Update and New Bids 2023/24: Report to Cabinet: 12 December 2022

Appendices

Appendix A: Revised Capital Programme

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