



<b>Report to:</b>	Cabinet	06 February 2024
<b>Lead Cabinet Member:</b>	John Williams - Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock - Head of Finance	

## Capital Programme 2024/2025 to 2028/2029

### Executive Summary

1. To consider the Council's Capital Programme for financial years 2024/2025 to 2028/2029.

### 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 2023/2024 to 2027/2028 that was approved by Cabinet at its meeting on 05 December 2023.

### 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 2023/2024 (being the current year), 2024/2025, 2025/2026, 2026/2027, 2027/2028 and 2028/2029 financial years and to make recommendations to Council on 27 February 2024.
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 £55,000 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 05 December 2023 are identified in the full Capital Programme from 2023/2024 (current year) to 2028/2029 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	2024/2025 £'000	2025/2026 £'000	2026/2027 £'000	2027/2028 £'000	2028/2029 £'000
<b>Gross Directorate Budgets:</b>					
Chief Executive	11,033	10,000	10,000	10,000	10,000
Head of Climate, Waste & Environment	3,641	7,139	2,143	1,025	220
Head of Finance	14,000	6,000	-	-	-
Head of Housing	3,630	15,809	9,055	7,905	2,264
Head of Transformation, HR & Corporate Services	713	794	524	615	-
<b>Gross Total</b>	<b>33,017</b>	<b>39,742</b>	<b>21,722</b>	<b>19,545</b>	<b>12,484</b>
<b>Financed By:</b>					
Grants / Contributions	9,263	11,818	8,903	3,960	1,000
Revenue	3,605	4,483	525	808	-
Capital Receipts	1,613	7,641	2,294	4,777	1,484
Borrowing	18,536	15,800	10,000	10,000	10,000
<b>Total Financing</b>	<b>33,017</b>	<b>39,742</b>	<b>21,722</b>	<b>19,545</b>	<b>12,484</b>

**Key variations are summarised as follows:**

Revised Schemes & Reprofiting

11. Since the Cabinet meeting, held on 05 December 2023, further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure. This has increased the gross budget for 2023/24 by £222,000, for 2024/25 increased by £8.486 million and for 2025/26 increased by £5.800 million. The revised spend profile is set out in detail in **Appendix A** and summarised below:

- a. £298,000 has been included in 2023/2024 for the statutory works and design fees related to the development of 256 new low-carbon homes, a project carried out by the Council's investment partnership South Cambridgeshire Investment Partnership (SCIP).
- b. An investment fund of £20 million has been included in the programme, phased to occur in 2024/25 and 2025/26 enabling Ermine Street to take advantage of new investment opportunities as they occur and to purchase homes for single people within the district.
- c. Some of the allocation made in 2023/24 in relation to the Greening of South Cambs Hall works has been moved into 2024/2025.
- d. Development and enhancement work related to the Environment system has been identified and added to the programme for 2023/24.
- e. £25,000 previously included in 2023/24 for the fraud case management system has been removed because this has now been identified as revenue expenditure.

#### Capital Programme Financing

12. 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.
13. 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

14. 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**

15. 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 05 December 2023 and any further slippage identified since then.

### **Implications**

16. 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 & Fraud Risk**

17. 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.
18. 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.
19. The fraud risk is assessed on an individual project basis as the exposure to fraud risk varies depending on the project in question.

## **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 2023/2024 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: 06 February 2023
- Budget Reports – Report to Council: 21 February 2023
- General Fund Medium Term Financial Strategy – Report to Cabinet: 07 November 2023
- General Fund Capital Programme Update and New Bids 2023/24: Report to Cabinet: 05 December 2023

## **Appendices**

Appendix A: Revised GF Capital Programme

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