

REPORT FOR DECISION

DECISION OF:	OVERVIEW & SCRUTINY COMMITTEE CABINET COUNCIL
DATE:	13 FEBRUARY 2019 20 FEBRUARY 2019 20 FEBRUARY 2019
SUBJECT:	CAPITAL PROGRAMME 2019/20 to 2021/22
REPORT FROM:	CABINET MEMBER FOR FINANCE & HOUSING
CONTACT OFFICER:	STEPHEN KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION
TYPE OF DECISION:	COUNCIL
FREEDOM OF INFORMATION/STATUS:	The report is for publication
SUMMARY:	<p>The report sets out the proposed Capital Programme for the financial years 2019/2020 to 2021/22 and an explanation of the funding methods and available resources.</p> <p>Further information on the availability of Council's own resources suggested to be used to support the programme is detailed in the Treasury Management Report and Strategy presented as separate reports to Cabinet and Council.</p>
OPTIONS & RECOMMENDED OPTION	<p>It is recommended that Overview and Scrutiny Committee notes the report;</p> <p>It is recommended that Cabinet notes and approves, for onward submission to Council to consider the report and determine all matters relating to the Capital Programme for 2019/2020 and future years at its meeting on 20th February 2019.</p>

	<p>Council is recommended to:</p> <ol style="list-style-type: none"> 1. Approve the Capital Programme for 2019/20 and future years, shown in Appendix 1; 2. Approve the proposed financing of the Capital Programme; <p>Reasons for the Decision:</p> <p>It is a requirement of the current financial regulations that the Council approves an annual capital programme alongside its revenue budget.</p>
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.
Statement by Interim Executive Director of Resources & Regulation:	<p>There will be some staffing, ICT and property issues arising from this report depending on decisions taken in respect of the scale and detail of the Capital Programme.</p> <p>Additional resource implications are detailed at paragraph 3.3 and 3.4.</p>
Health & Safety implications:	There are no direct Health & Safety implications arising from this report.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes. The budget is prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.
Legal implications:	The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2019.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny Committee

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Leader / Finance		
Scrutiny Committee		Committee	Council
Overview & Scrutiny 13/2/19		Cabinet 20/2/19	Council 20/2/19

1.0 BACKGROUND

1.1 This report outlines the proposed approach in respect of the Capital Programme 2019/20 to 2021/22 and sets out a strategy recommended by the Strategic Leadership Team and endorsed previously by the Cabinet.

2.0 PROGRESS AGAINST THE 2018/19 PROGRAMME

2.1 Details of spend against the 2018/19 Programme are set out in the month 9 Corporate Finance and Performance Monitoring Report presented to the Cabinet on 20th February 2019.

3.0 CAPITAL RESOURCES FOR 2019/20

3.1 The Capital Programme can be funded from five main sources:

- Borrowing
- Capital grants from Government Departments / contributions from external agencies / partners
- Capital receipts from the sale of assets
- Revenue contributions and reserves
- Leasing

3.2 Borrowing to fund the capital programme consists of Unsupported borrowing that is allowed through the workings of the Prudential Code for Capital Finance in Local Authorities. This method permits authorities to undertake borrowing as required as long as certain tests of prudence can be satisfied.

3.3 A consequence of any borrowing made is that revenue implications, such as costs to repay principal and interest, will fall wholly on the authority's revenue budget and this should be considered alongside borrow to fund decisions.

3.4 For reference, each additional £1m of borrowing would currently attract an annual revenue budget implication of £0.025m for the duration of the loan.

3.5 The Settlement for 2019/20 allows for capital grants only. This follows the approach adopted by the Coalition Government between 2011/12 and 2015 and continued since by the current Conservative Government to limit borrowing by Local Authorities; encouragement is in this way given to Authorities to structure local needs and circumstances to their Councils' levels of affordability for borrowing – under the Prudential Code.

3.6 Furthermore, capital grants and external contributions have reduced as a consequence of the more recent Government Spending Reviews and the level of overall investment would have to be amended accordingly.

3.7 The other main funding source is capital receipts, generated from the sale of Authority's land and property. Whilst property market conditions remain challenging for all of the interested parties, the Council anticipates generating capital receipts from a number of identified surplus sites in the future.

4.0 PROPOSED CAPITAL PROGRAMME 2019/20

4.1 In line with last year's Capital Programme, and the Council's Medium Term Financial Strategy, it is recommended that the 2019/20 – 2021/22 Capital Programme is restricted to fully funded schemes, schemes which are self-financing based upon a viable, proven "Invest to Save" Business Case and schemes directed by compliance and the adopted Growth Strategy. The proposed Programme is outlined at Appendix 1.

4.2 In the event that Grant allocations change later in the year, the specification of schemes will be reviewed to ensure no under / overspend.

4.3 Invest-to-save schemes will continue to be considered in year, and in line with the Council's Golden Rules will be subject to a verifiable business case that clearly demonstrates that schemes will be self-financing – taking into account any associated borrowing costs.

4.4 Members are reminded that for budgeting purposes capital receipts can only be committed to schemes when the cash from the sale of assets has been received or there is a high level of certainty that the cash will materialise. The extent to which capital receipts are used will be determined to a large degree by property market conditions. This does not hinder development of future schemes, as preparatory work can commence on projects in advance of capital receipts being generated.

5.0 FUNDING THE CAPITAL PROGRAMME

5.1 The draft programme is proposed to be financed as follows:

Expenditure per year	2019/20 £	2020/21 £	2021/22 £	Total £
Gross Cost	47,083,675	15,141,291	11,200,000	73,424,966
Financed by:				
Grants / External Funding	23,787,386	1,423,169	0	25,210,555
HRA Headroom reserve	9,830,000	9,830,000	10,000,000	29,660,000
Earmarked Reserves	1,360,157	1,188,122	0	2,548,279
Capital Receipts Reserve	783,430	0	0	783,430
Borrowing	11,322,702	2,700,000	1,200,000	15,222,702
Total	47,083,675	15,141,291	11,200,000	73,424,966

5.2 The table above shows a limited programme for 2020/21 and 2021/22 at this stage due to the absence of longer term funding information on government grants.

6.0 RISKS

6.1 There are three main risks inherent in the capital strategy:

6.1.1 Capital receipts are not realised.

This risk has been addressed through prudent forecasting, in the light of current market conditions. The programme is prepared on the basis that capital receipts are only used once they have been generated and payment received.

6.1.2 Schemes slip from one year to the next.

This is a normal feature of capital schemes and can occur for a large number of reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high.

6.1.3 Scheme costs increase after approval of budget.

Whilst not unusual and unlike slippage, implications are more than just timing issues, therefore cost increases cannot be mitigated without a direct impact on other schemes within the Programme or an impact on future years' resources. The risk can be mitigated by the use of sound costing techniques, effective project management and monitoring the schemes by the use of risk assessment approaches.

6.2 The Programme is monitored throughout the year by the Capital Programme Management Group who meets on a regular basis and management reports are considered by the Strategic Leadership Team, Cabinet and Overview & Scrutiny Committee on a quarterly basis.

6.3 Should intervention action be required then it will be undertaken immediately and may include a moratorium on scheme starts, the realisation of further capital receipts or the use of additional borrowing (subject to revenue resources being available).

7.0 EQUALITY & DIVERSITY

7.1 An initial assessment has been undertaken and it is concluded that there will be no negative impact from this report.

Councillor Eamonn O'Brien
Cabinet Member for Finance and Housing

For further information on the contents of this report, please contact:

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APPENDIX 1

Capital Programme 2019/20 - 2021/22

Project Title	3 YEAR TOTALS	2019/2020				2020/2021			2021/2022		
	Gross Cost	Bfwd from 1819 (estimate)	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council
	£	£	£	£	£	£	£	£	£	£	£
BUSINESS GROWTH AND INFRASTRUCTURE											
	0				0			0			0
Planning schemes (various)	75,294	75,294		75,294	0			0			0
Greater Manchester Full Fibre Project	469,000		469,000	469,000	0			0			0
BUSINESS GROWTH AND INFRASTRUCTURE	544,294	75,294	469,000	544,294	0	0	0	0	0	0	0
CHILDREN AND YOUNG PEOPLE											
Devolved Formula Non-VA schools	460,963		460,963	460,963	0			0			0
Basic need	4,954,842		4,954,842	4,954,842	0			0			0
School Condition Allocation	2,299,158		2,299,158	2,299,158	0			0			0
Devolved Formula	830,665	830,665		830,665	0			0			0
NDS Modernisation Including New Pupil Places	5,597,023	5,597,023		5,597,023	0			0			0
NDS Modernisation Including New Pupil Places	1,000,000	1,000,000		1,000,000	0			0			0
NDS Modernisation Including New Pupil Places	98,560	98,560		98,560	0			0			0
NDS Modernisation Including New Pupil Places	710,228	710,228		710,228	0			0			0
Access Initiative	5,671	5,671		5,671	0			0			0
Early Education Fund - 2yr Old	99,504	99,504		99,504	0			0			0
CHILDREN AND YOUNG PEOPLE	16,056,614	8,341,651	7,714,963	16,056,614	0	0	0	0	0	0	0
COMMUNITIES AND WELLBEING											
Environmental Works	54,168	54,168		54,168	0			0			0
Parks	108,136	108,136		108,136	0			0			0
Adult Personal Social Services Capital Allocation - Cor	910,000		455,000	455,000	0	455,000	455,000	0			0
Social Care Single Capital Pot	474,044	474,044		474,044	0			0			0
Grant Funded Major Adaptations - Private Housing - D	1,936,338		968,169	968,169	0	968,169	968,169	0			0
DFGs	1,135,543	1,135,543		1,135,543	0			0			0
Housing schemes	1,172,702	1,172,702		1,172,702	0			0			0
Neighbourhood working	600,000	600,000		600,000	0			0			0
COMMUNITIES AND WELLBEING	6,390,931	3,544,593	1,423,169	4,967,762	0	1,423,169	1,423,169	0	0	0	0
OPERATIONS											
LTP H/ways Capital Maintenance	1,640,000		1,640,000	1,640,000	0			0			0
HWs Maintenance - DfT Incentive Element	342,000		342,000	342,000	0			0			0
LTP H/ways Capital Maintenance	76,848	76,848		76,848	0			0			0
H/ways network (Council Approved £10m in 17/18)	2,750,000		2,750,000		2,750,000			0			0
H/ways network (Council Approved) re-profiled to 19/	1,500,000	1,500,000		1,500,000	0			0			0
Flood Repair & Defence	1,466,000	1,466,000		1,466,000	0			0			0
Summerseat Bridge CPO	650,000		650,000	650,000	0			0			0
Radcliffe and Redvales Flood	2,000,000		1,000,000	1,000,000	0	1,000,000	1,000,000	0			0
OPERATIONS	10,424,848	3,042,848	6,382,000	6,674,848	2,750,000	1,000,000	1,000,000	0	0	0	0

Capital Programme 2019/20 - 2021/22

Project Title	3 YEAR TOTALS	2019/2020				2020/2021			2021/2022			
		Gross Cost	Bfwd from 1819 (estimate)	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council	Gross Cost	External	Net Cost to Council
		£	£	£	£	£	£	£	£	£	£	£
RESOURCES AND REGULATION												
ICT various (OD approved - free up revenue)	294,075		146,975	146,975	0	147,100	147,100	0				0
ICT various (OD approved - no call on revenue reserv	254,204		213,182	213,182	0	41,022	41,022	0				0
IT Investment Digital Strategy	9,800,000		5,900,000		5,900,000	2,700,000		2,700,000	1,200,000			1,200,000
RESOURCES AND REGULATION	10,348,279	0	6,260,157	360,157	5,900,000	2,888,122	188,122	2,700,000	1,200,000	0	1,200,000	
HOUSING PUBLIC SECTOR												
Housing programme Major works (HRA funded)	29,660,000		9,830,000	9,830,000	0	9,830,000	9,830,000	0	10,000,000	10,000,000		0
HOUSING PUBLIC SECTOR	29,660,000	0	9,830,000	9,830,000	0	9,830,000	9,830,000	0	10,000,000	10,000,000		0
FULLY FUNDED SCHEMES TOTAL	73,424,966	15,004,386	32,079,289	38,433,675	8,650,000	15,141,291	12,441,291	2,700,000	11,200,000	10,000,000		1,200,000
	0				0			0				0
I2S SCHEMES TOTAL	0	0	0	0	0	0	0	0	0	0		0
PROPOSED CAPITAL PROGRAMME TOTAL	73,424,966	15,004,386	32,079,289	38,433,675	8,650,000	15,141,291	12,441,291	2,700,000	11,200,000	10,000,000		1,200,000