

POLICY & FINANCE COMMITTEE

21 FEBRUARY 2019

CAPITAL PROGRAMME 2019/20 TO 2022/23

1.0 Purpose of Report

1.1 In accordance with Financial Regulation 6.2.3, Policy & Finance Committee is required to consider the Capital Programme and recommend to Council the final Programme. This report details the available resources, the Council's existing committed programme and the priority schemes identified.

2.0 Capital Expenditure and Financing

2.1 The current plan for Capital Expenditure and the financing of the capital programme is shown below, a full scheme by scheme breakdown is attached at **Appendix A** for General Fund and **Appendix B** for the Housing Revenue Account.

	2019/20	2020/21	2021/22	2022/23	Total
COMMITTED SCHEMES EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Total General Fund Capital Expenditure	15,048	11,908	4,368	1,998	33,322
CAPITAL EXPENDITURE FINANCING					
Borrowing Approval	1,897	3,546	1,275	1,399	8,117
Government Grants	3,806	3,433	3,047	599	10,886
Contributions from Third Parties	0	3,750	0	0	3,750
Capital Receipts	1,416	429	46	0	1,891
Capital Reserve	999	0	0	0	999
Revenue Contributions to Capital Outlay (RCCO)	6,930	750	0	0	7,680
Total Resources Available	15,048	11,908	4,368	1,998	33,322

	2019/20	2020/21	2021/22	2022/23	Total
COMMITTED SCHEMES EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Total HRA Capital Expenditure	16,439	18,607	14,661	8,261	57,969
CAPITAL EXPENDITURE FINANCING					
Borrowing Approval	3,000	7,250	6,500	4,500	21,250
Government Grants	1,560	520	0	0	2,080
Capital Receipts	4,371	1,520	1,563	1,424	8,878
Housing Services Revenue Support (MRR)	7,507	9,317	6,598	2,337	25,761
Total Resources Available	16,438	18,607	14,661	8,261	57,969

2.2 Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution.

- 2.3 All bids for new capital projects are allocated scores in accordance with the Capital Prioritisation Process (details of which are provided in the Capital Strategy 2019/20 to 2022/23).
- 2.4 The process is designed to demonstrate a level of objectivity in the selection of projects. It is numerically based, and allocates points to projects dependent on the categories into which they fall. The aim is to demonstrate how the Council selects projects that will achieve its overall objectives and is not biased towards particular service interests.

3.0 Capital Expenditure – General Fund

- 3.1 As per section 2.1, the Council intends to spend £33.3m in general fund capital expenditure from 2019/20 to 2022/23.
- 3.2 The major schemes making up this total are the addition of a Modular Pool at the Dukeries Leisure Centre, Southwell Leisure Centre Improvements, the rolling replacement programme for Vehicles, Plant, Equipment and Technology, the Southern Link Road contribution, Disabled Facilities Grants and investment in Arkwood Developments Ltd.
- 3.3 The investment in Arkwood Developments Ltd was reported to the Committee on 25 January 2018, following that meeting, an earmarked reserve was created in the Statement of Accounts 2017/18 and a corresponding budget has been added to the Capital Programme. This budget will be reviewed following the formulation of a business case if required.
- 3.4 It should also be noted that in addition to the above schemes, the Castle Gatehouse project and the Homeless Hostel have been included in the Capital Programme in future years and more detailed reports will be brought to future meetings of the Committee.

4.0 Capital Expenditure - Housing Revenue Account (HRA)

- 4.1 As per section 2.1, the Council intends to spend £57.9m on the HRA from 2019/20 to 2022/23. This made up of £20.9m on existing property investment and £37m on Affordable Housing.
- 4.2 The Management Agreement is the overarching legal agreement between the Council and Newark and Sherwood Homes (NSH) and one of its annual requirements is that the Company will submit to the Council its written proposals for the next year's arrangements for a number of operational and strategic activities including, an Asset Management Programme.
- 4.3 The annual Asset Management Programme is informed by the HRA Asset Management Strategy, developed by the Company and reviewed as part the annual reporting arrangements. Following the successful completion of the decent homes programme, there is an ongoing requirement to continue investment in Council properties. Details of the proposed investment can be found at **Appendix B**.

- 4.4 Newark and Sherwood Homes have been commissioned by the Council to deliver an initial 5 year HRA new build programme of indicatively 335 new units over the period. Phase 1 of the programme started in August 2017 with the final 5 units reaching practical completion in January 2019. Initial modelling was based on an estimated figure of £100,000 per unit. Actual costs per unit were closer to £133,000 per unit. The additional costs for this phase were covered by the successful grant submission to Homes England.
- 4.5 Phase 2 is progressing and the first cluster in Coddington has started on site during January 2019. Planning applications for two sites are still to be determined. A grant application has been submitted to Homes England in relation to phase 2 sites with planning approval, with the possibility of a further claim subject to the outcome of the two pending Planning applications. The results of which are not yet known, therefore no assumptions for grant have been made for phase 2 onwards in the Capital programme 2019/20 – 2022/23.
- 4.6 Ollerton & Boughton Extra Care scheme is progressing and the grant application was successful for this scheme. Details of the full development programme are available at **Appendix B**.
- 4.7 NSH will receive income for managing the HRA element of the Council’s Capital Programme. The fee payable for the delivery of the Asset Management Programme is 8% of contract costs. With regards to the new development programme, fees have been agreed at a variable rate. The base being £2,160 per unit with variable add-ons.

5.0 **Resources Available**

- 5.1 Any capital schemes that are subject to funding by external parties are subject to a detailed bidding process. If successful, these can provide additional funding for the capital programme.
- 5.2 The most significant grants currently expected over the medium term are from the Better Care Fund (BCF) for Disabled Facilities Grants (DFG’s), Homes England (HE) for Ollerton & Boughton Extra Care Scheme, and Section 106 (S106) monies. In addition to this, grants held from previous years for specific purposes are due to be utilised i.e. Local Enterprise Partnership (LEP) Grant that has been received in relation to the Southern Link Road.
- 5.3 Capital Receipts

	General Fund £’000	HRA £’000	1-4-1 £’000	Total £’000
Balance @ 1 Apr 19	1,734	1,340	1,373	4,447
Estimated Receipts 2019/20 – 2022/23	350	3,364	3,151	6,865
Approved for Financing 2019/20 – 2022/23	-1,891	-4,704	-4,524	-11,119
Unallocated Capital Receipts Balance	193	0	0	193

This report leaves an unallocated balance of General Fund capital receipts of only £193k to consider other schemes as they emerge during the coming financial year. This will, of course be added to as further general fund capital receipts are generated.

5.4 The HRA capital receipts and 1-4-1 figures above relate to Right to Buy (RTB) sales. The 1-4-1's are restricted for replacement homes and must be used as follows:

- Amount to no more than 30% of the total scheme cost
- Spent within 3 years of receipt, or returned to Government with interest

5.5 In keeping to the Council's Capital Strategy, unsupported borrowing is minimised to prevent any destabilisation of the General Fund from the interest and Minimum Revenue Provision (MRP) that results from borrowing. Leasing is also tightly controlled within the revenue budgets for the same reason, and is rarely used, as the interest rates over the last few years has meant that the costs of borrowing are lower than leasing costs.

6.0 RECOMMENDATIONS that:

- (a) the Committee supports the General Fund Capital Programme 2019/20 – 2022/23 totalling £33.322m as detailed at Appendix A, and recommends these to Full Council on 7 March 2019; and**
- (b) the Committee supports the Housing Revenue Account Capital Programme 2019/20 – 2022/23 totalling £57.969m as detailed at Appendix B, and recommends these to Full Council on 7 March 2019.**

Reasons for Recommendations

To enable the Capital Programme to be considered by the Policy & Finance Committee in accordance with Financial Regulation 6.2.3 prior to its submission to Council.

Background Papers

Nil

For further information please contact Jenna Norton on Ext 5327.

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