

**CAPITAL PROGRAMME 2018/19 TO 2021/22**

**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 – General Fund**

2.1 The Council intends to spend £15m in general fund capital expenditure from 2018/19 to 2021/22. Details of individual schemes are shown in **Appendix A**.

2.2 The Council currently has vehicles, plant, equipment and technology which it has either financed from its own resources as part of the capital programme or by a leasing contract. The decision on which financing route is made after a full appraisal of the alternatives for each tranche of assets as they come up for replacement. However in order to capture the full impact of this expenditure the full replacement cost is included as capital expenditure.

**3.0 Capital Expenditure - Housing Revenue Account (HRA)**

3.1 The Council intends to spend £54.9m on the HRA from 2018/19 to 2021/22. This made up of £21m on existing property investment and £33.9m on Affordable Housing.

3.2 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.

3.3 The annual Asset Management Programme is informed by the HRA Asset Management Strategy, developed by the Company. This was discussed and scrutinised by Council officers with the Company at the meeting of the Strategic Housing Panel (SHLP) on 14 September 2017. 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**.

3.5 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. The target delivery for phase 1 of the programme is 70 units.

3.6 Consultation with members and site investigation works for phase 2 are progressing in preparation for start during 2018/19. Details of the development programme are also available at **Appendix B**.

3.6 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. These fees are included in the budgeted figures.

#### **4.0 Resources Available**

4.1 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.

4.2 The most significant grants currently expected over the medium term are from the Better Care Fund (BCF) for Disabled Facilities Grants (DFG's), Homes and Communities Agency (HCA) for the first phase of the new Council housing development, 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.

#### **4.3 Capital Receipts**

	General Fund £m	HRA £m	1-4-1 £m	Total £m
Balance @ 1 Apr 18	0.378	1.787	1.211	3.376
Funding required for future years 2018/19 to 2021/22	0	0.964	1.211	2.175
Unallocated Capital Receipts Balance	0.378	0.823	0	1.201

This report leaves an unallocated balance of General Fund capital receipts of only £0.378m 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.

4.4 The HRA capital receipts relate to Right to Buys (RTB). £1.211m of this relates to 1-4-1's which is an amount we agree to use 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

4.3 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.

#### **5.0 Financing**

5.1 Subject to the approval of the proposals outlined in section 2.0 and 3.0 above, the current plan for financing the capital programme is shown below.

	2018/19	2019/20	2020/21	2020/21
<b>COMMITTED SCHEMES EXPENDITURE</b>				
Other Services	5,047	4,049	4,534	1,429
<b>Total Expenditure</b>	<b>5,047</b>	<b>4,049</b>	<b>4,534</b>	<b>1,429</b>
<b>CAPITAL EXPENDITURE FINANCING</b>				
Net Internal and External Borrowing Approval	1,649	1,200	1,220	830
Government Grants	2,629	2,849	3,314	599
Contributions from Third Parties	77	0	0	0
Capital Receipts	0	0	0	0
Capital Reserve	692	0	0	0
<b>Total Resources Available</b>	<b>5,047</b>	<b>4,049</b>	<b>4,534</b>	<b>1,429</b>

	2018/19	2019/20	2020/21	2021/22
<b>COMMITTED SCHEMES EXPENDITURE</b>				
Housing Services - HRA	17,614	12,946	12,346	12,076
<b>Total Expenditure</b>	<b>17,614</b>	<b>12,946</b>	<b>12,346</b>	<b>12,076</b>
<b>CAPITAL EXPENDITURE FINANCING</b>				
Net Internal and External Borrowing Approval	1,020	3,035	3,748	7,113
Government Grants	2,397	0	0	0
Contributions from Third Parties	1,384	0	0	0
Capital Receipts	2,175	0	0	0
Capital Reserve	2	2	2	2
Housing Services Revenue Support (MRR)	10,637	9,909	8,596	4,962
<b>Total Resources Available</b>	<b>17,614</b>	<b>12,946</b>	<b>12,346</b>	<b>12,076</b>

- 5.2 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.
- 5.3 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 2018/19 to 2021/22).
- 5.4 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.

## 6.0 RECOMMENDATION

**It is recommended to Council on 8 March 2018 that the General Fund schemes shown in Appendix A and the housing services programme in Appendix B be approved as committed expenditure in the Capital Programme.**

**Reasons for Recommendation**

**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.

Sanjiv Kohli  
Director - Resources and S151 Officer