

**REPORT TO** **CORPORATE SERVICES SCRUTINY COMMITTEE,  
EXECUTIVE AND COUNCIL**  
**Date of Meeting:** **Corporate Services Scrutiny Committee - 24 January 2019  
Executive - 12 February 2019  
Council - 26 February 2019**  
**Report of:** **Chief Finance Officer**  
**Title:** **Capital Strategy and Capital Programme (2019/20 -  
2021/22)**

**Is this a Key Decision?**

Yes

**Is this an Executive or Council Function?**

Council

**1. What is the report about?**

To approve the Capital Strategy and General Fund and Housing Revenue Account Capital Programmes for 2019/20 along with schemes identified for the following two years.

**2. Recommendations:**

**It is recommended that Corporate Services Scrutiny Committee supports and the Executive recommends to Council to approve:**

- i. The General Fund capital programme for 2019/20 as set out in Appendix 3
- ii. The HRA capital programme for 2019/20 as set out in Appendix 4
- iii. The Capital Strategy as set out in Appendix 5

**3. Reasons for the recommendation:**

In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council is required to prepare three-year capital expenditure plans and consider the affordability of its capital investment during all the years in which it will have a financial impact on the authority.

The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable and in considering its programme for capital investment, the Council is therefore required to have regard to:

- Affordability e.g. implications for Council Tax and rent levels
- Prudence and sustainability e.g. implications for external borrowing
- Value for money e.g. option appraisal
- Stewardship of assets e.g. asset management planning
- Service objectives e.g. strategic planning for the authority
- Practicality e.g. achievability of the forward plans

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which provides the following:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of the capital strategy is to ensure all elected members fully understand the long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

**4. What are the resource implications including non-financial resources**

The financial resources required are set out in the body of this report.

**5. Section 151 Officer Comments:**

The proposed capital programme aligns with the Medium Term Financial Plan and the revenue implications have been built into both the General Fund and HRA budgets. The Capital Strategy is a new requirement for all Councils.

**6. What are the legal aspects?**

The capital expenditure system is framed by the Local Government and Housing Act 1989.

**7. Monitoring Officer's comments:**

When making a decision, councillors are reminded of the obligation to act reasonably and in accordance with the principals set down in the Wednesbury case. This means that councillors are required to take into account all relevant considerations and ignore any irrelevant considerations. Put simply, it would be unlawful for the Council to come to a view which is unreasonable in the sense that it is so irrational that no other reasonable authority could have reached it.

Members are under a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their duties councillors will need to consider the following:

- a. Prudent use of the council's resources;
- b. Financial prudence both long and short term;
- c. Striking a fair balance between the interest of the council tax payers on the one hand and the community interest and adequate and efficient services on the other hand;
- d. Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

**8. Report Details:**

**CAPITAL PROGRAMME (2019/20 – 2021/22)**

**8.1 AVAILABLE CAPITAL RESOURCES**

In considering the affordability of the Council's capital plans, the authority is required to consider all of the resources currently available to it and estimated resources for the future.

Together with money from the Council's own capital receipts and capital reserves, the annual capital programme is financed from; Government grants, Section 106 monies, partnership funding and other external grants and contributions. If necessary, the Council may borrow to supplement these funds.

Under the prudential capital finance system, individual authorities are responsible for deciding the level of their affordable borrowing. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. A separate report setting out the Council's Prudential Indicators is also presented to this Committee.

## 8.2 General Fund Available Resources

The Council will have to continue to use borrowing for capital purposes. Appendix 1 sets out the use of the resources available in respect of the General Fund.

A borrowing requirement of £40.211 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The approximate current annual revenue cost of borrowing £1 million is:

Type of Borrowing	Interest £	Money Set Aside for Repayment of Debt £	Total Annual Payment £
Short term	9,000	40,000	<b>49,000</b>
Long term (>25 years)	23,200	40,000	<b>63,200</b>

## 8.3 Housing Revenue Account Available Resources

The capital programme for 2019/20 will be funded from the Major Repairs Reserve, Revenue Contributions and any external contributions and capital receipts generated in the period. Appendix 2 sets out the use of the resources available in respect of the HRA.

## 9. GENERAL FUND CAPITAL PROGRAMME

The proposed capital programme is detailed in Appendix 3. The table below sets out the total of new capital bids included within the three-year capital expenditure plans for Council to consider for approval:

Status	2019/20 £	2020/21 £	2021/22 £	Future Years £
New Bids	3,284,920	0	0	0
Pre-Approved Schemes	33,128,950	16,546,510	1,217,900	1,053,900
<b>Total General Fund Capital Programme</b>	<b>36,413,870</b>	<b>16,546,510</b>	<b>1,217,900</b>	<b>1,053,900</b>

The capital programme has been set out in line with the Council Purposes, in order to demonstrate how the Council's capital priorities help to contribute towards their achievement. Although a number of schemes contribute to the achievement of more than one vision theme, they have been placed under the theme to which it is considered the scheme contributes the most.

## 10. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

For 2019/20, the HRA medium term financial plan provides for a capital programme of £20.591 million. This comprises capital investment of £11.389 million for improvements to the Council's existing housing stock and £9.202 million towards the provision of new council homes.

In terms of investment in existing stock the proposed budgets for 2019/20 provide for the following:

- 245 kitchen replacements
- 245 bathroom replacements
- Refurbishment of 17 LAINGS properties
- 480 boiler replacements
- Year 2 of storage facility improvements in accordance with the Fire Safety Management Policy
- Refurbishment of Rennes House to commence following replacement of the lifts
- 200 properties to have window replacements
- Re-roofing to 142 houses

A copy of the HRA Capital Programme is attached at Appendix 4. The HRA Capital Programme will be funded by:

<b>HRA Capital Finance</b>	<b>£</b>
Major Repairs Reserve	8,432,086
Revenue Contribution to Capital	2,500,000
Capital Receipts	4,030,000
Commuted sums	5,320,000
External contributions	308,424
<b>Total HRA Capital Financing 2019/20</b>	<b>20,590,510</b>

**11. Capital Strategy**

The capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The proposed Capital Strategy is attached at Appendix 5.

**12. How does the decision contribute to the Council's Corporate Plan?**

The Capital Programme contributes to all of the key purposes, as set out in the Corporate Plan.

**13. What risks are there and how can they be reduced?**

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

**14. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

No impact

**14. Are there any other options?**

No

**DAVE HODGSON**  
**Chief Finance Officer**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:**

None

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