

CABINET – 14th DECEMBER 2023

Report of the Acting Head of Finance

Lead Member: Councillor Ashcroft

Part A

DRAFT CAPITAL PLAN 2024/25 TO 2026/27

Purpose of Report

To consider the Draft Capital Plan 2024/25 to 2026/27 as well as possible sources of funding and to begin a period of consultation.

Recommendation

That Cabinet endorses for consultation the Draft Capital Plan for 2024/25 to 2026/27 for the recommended General Fund and HRA schemes as set out at Appendix 1.

Reason

To enable consultation on the Draft Capital Plan, so that it can become the basis for capital spending by the Council.

Policy Justification

The Council's Capital Plan is an integral element of all policies.

Implementation Timetable including Future Decisions and Scrutiny

The final Capital Plan will be submitted to Cabinet on 8th February 2024, and it will then be considered by Council on 26th February 2024. The opportunity is available to the Scrutiny Commission to consider the draft and final reports for pre-decision scrutiny.

Provided it is approved, the new Capital Plan will come into effect on 1 April 2024. Any changes to the Plan will then be considered by Cabinet, and Council, if necessary, as part of the Capital Plan Amendment process. These reports are also available for scrutiny by the Budget Scrutiny Panel and the Finance & Performance Scrutiny Committee.

Cabinet is asked to endorse the draft Capital Plan contained in and appended to this report as a basis for consultation. These proposals will be subject to consultation over the period from 15 December 2023 to 14 January 2024.

Consultation will be with:

- Trade Unions
- Formal consultation with key partners, including Towns and Parishes
- Budget Scrutiny Panel

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications from approving this report for consultation. However, if the final report is approved then there will be financial implications for the Council, and these are set out in Part B of this report. Overall, it is envisaged that the Capital Plan will be fully funded by revenue and capital resources.

Risk Management

There are no specific risks associated with the decision Cabinet is being asked to make. However, Part B of the report identifies risks associated with the eventual adoption of the new Capital Plan.

Equality and Diversity

There are no specific Equalities & Diversity issues affecting the recommendation in this report, though any such issues affecting schemes will be considered as part of those schemes' formal appraisal.

Sustainability

As with other items above, there are no direct sustainability issues affecting the recommendation, but any affecting specific schemes will be considered as part of the appraisal of those schemes.

Key Decision:	Yes
Background Documents:	None
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Part B

Background

1. The Council operates the Capital Plan on a three-year basis to reflect the longer-term nature of capital expenditure and in accordance with best practice. Heads of Service held discussions with their Lead Members and Directors before submitting Capital Appraisals to the Senior Leadership Team (SLT) for initial appraisal. These appraisal forms cover areas such as enhancements of an existing asset, planned improvements to existing assets and scheme affordability. Schemes are categorised as either Live, Provisional, Major or Third-Party. Live schemes are project managed by Charnwood Borough Council with relatively known costings and timescales, Provisional schemes are committed in principal but with no known costings and timescales, Major schemes are separately categorised for presentational purposes to avoid dilution of performance alongside more 'business as usual' schemes (although no new schemes are categorised as such). Third-Party schemes are fully funded by external resources.
2. New schemes have been originated either by Members, in line with manifesto commitments, or by senior officers responsible for the maintenance and upgrade of existing Council assets.
3. New schemes have been reviewed by the Senior Leadership Team, with informal approval from relevant Lead Members prior to schemes being put forward for consultation. Following this appraisal process a New Draft Capital Plan for 2024/25 to 2026/27 was produced for the General Fund and HRA as set out at Appendix 1.
4. Notable schemes coming forward in this plan for approval are:

Housing

- A 'warm homes' fund of £0.25m to be created for Council tenants (HRA project)
- Additional funding of over £2m to be allocated within the HRA to purchase 'off plan' homes from developers to add to our housing stock

Climate change

- Delivery support for carbon neutral projects - £0.2m to be set aside for additional resource to facilitate delivery of the Council's climate change agenda
- Solar array – £0.25m to be allocated for a feasibility study re the creation of a solar array. A solar array has various practical challenges, including

that of connectivity to the National Grid, but the feasibility study will investigate in detail whether such challenges can be overcome and will also look at other options for solar power related to existing Council assets.

- It should be noted that only limited information is available at present on many schemes, and the costings are presented on a 'best estimate' basis. Firm quotations or tender prices have not been obtained in most cases, but in any event would need updating as and when approval for the new Capital Plan is achieved.

New Draft Capital Plan 2024/25 to 2026/27

- The tables below show a summary of the new schemes, split between General Fund and Housing Revenue Account schemes, and the anticipated funding positions.

Table 1 – GENERAL FUND

	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000
<u>General Fund New 3 Year Plan</u>				
Total Gross Cost of Schemes	1,026	1,701	1,659	4,386
External Funding	99	720	1,127	1,946
CBC Capital Receipts	927	981	532	2,440
Total Funding	1,026	1,701	1,659	4,386

- Table 1 shows total proposed schemes of £4.4m requiring council capital receipts funding of £2.4m, and external funding of £1.9m. As at 31 March 2027 there will be approximately £11.4m Usable Capital Receipts estimated in balances, therefore the draft 3-year Capital plan is affordable from current resources. This assumes that there are no major asset disposals, apart from council house sales, during the next three years of the plan.
- Anticipated External Funding is in respect of grants and capital contributions which are expected over the next three years. It should be noted that the grants are scheme specific and cannot be used to fund other schemes.

9. In addition to the Council's Usable Capital Receipts, the Council also maintains a Capital Plan Reserve which is available to support either Capital or Revenue one-off expenditure. This fund will be supplemented by Business Rate Pool receipts and will be used to fund projects which can be viewed as having 'regeneration' or 'economic development' characteristics.

Table 2 – HOUSING REVENUE ACCOUNT

	2024/25	2025/26	2026/27	TOTAL
	£'000	£'000	£'000	£'000
<u>Housing Revenue Account</u>				
Total Gross Cost HRA Schemes	6,210	12,528	10,829	29,567
Capital Receipts	0	449	449	898
Revenue Contribution to Capital Major Repairs Reserve/HRA Finance Fund	2,947	2,947	2,947	8,841
	3,263	9,132	7,433	19,828
Total Funding	6,210	12,528	10,829	29,567

10. Appendix 1 shows all the new HRA schemes for the capital plan period.
11. The Major Repairs Reserve, or equivalent, effectively represents the amount set aside for depreciation each year and this becomes a cash amount that will be spent on capital works. The draft Housing Revenue Account report shows that in 2024/25 the depreciation budget is £4,278k and the RCCO budget is £2,947k. It can be reasonably assumed that these levels will continue for 2025/26 and 2026/27 so the plan is fully funded.
12. The level of capital expenditure will be set to ensure that the housing stock is kept in good repair and at a level that allows the Council to service the £79.19m borrowing that it undertook to pay the government in March 2012. Between 2024/25 and 2026/27, £5m of this borrowing is due to be repaid or refinanced as the debts taken out in 2012 reach maturity. The £1m maturing in 2024/25 is budgeted to be paid in full from the Major Repairs Reserve, whilst decisions on the other loans maturing over this three-year period will be based on the impact of actual spend on the level of HRA reserves and the Council's Treasury Management policy and interest rates at that time. As such, the HRA Capital Plan will be adequately funded over the three years.
13. Further detail of schemes within the new Capital Plan are set out at Appendix 1.

14. It should be noted that the current (2022/23 – 2024/25) Capital Plan is still extant. Once approved the new Capital Plan (2024/25 – 2026/27) will be merged with the current Capital Plan (as may be amended via the usual Capital Plan amendment and Outturn reports) for the 2024/25 financial year.

Prudential Code

15. To comply with the Prudential Code capital expenditure must be affordable in the long term, and therefore sustainable, which requires that the decision-making process must be prudent. The revenue impact of the capital expenditure must be contained within the forward plans of the authority which provides a level of Council Tax that the Council considers acceptable. Implementation of the proposed General Fund Capital Plan would result in net revenue savings and therefore is in line with the proposed Revenue Budget and the Medium-Term Financial Strategy.
16. Consideration has been given to undertaking prudential borrowing to fund General Fund capital expenditure. However, this would incur additional revenue costs for both interest and repayments which the council would have to be able to fund as well as the savings programme which is required to continue to fund services in the light of reduced central government funding. In view of this and as set out in the current Medium Term Financial Strategy, the Council does not intend to undertake any such material borrowing in the medium term.

Risk Management.

17. The risks associated with any future decision to approve the proposed Capital Plan and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Insufficient funding	Remote (1)	Major (4)	Low (4)	The funding of the Capital Plan is regularly monitored, and any apparent shortfalls are brought to the attention of Cabinet with suggested solutions
General Risks associated with capital expenditure	Unlikely (2)	Serious (3)	Moderate (6)	The Capital Plan is controlled through Capital Monitoring & Senior Leader Team and Cabinet.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned

Appendices

A list of Capital Plan schemes is attached at Appendix 1.