

**Budget Framework 2019 to 2023
Capital Strategy and Capital Programme 2018/19 to 2022/23
27 February 2019**

Report of Cabinet

PURPOSE OF REPORT

To present Cabinet's final budget proposals in order that the City Council can approve a Capital Strategy and General Fund Capital Programme for 2018/19 to 2022/23.

This report is public.

RECOMMENDATIONS:

- (1) That the General Fund Capital Programme be approved, as set out at Appendix 1.**
- (2) That the Capital Strategy at Appendix 2 be approved.**

1 Introduction

- 1.1 Following its meeting on 12 February Cabinet has now finalised its budget framework proposals for the General Fund Capital Programme. These are all now reflected in the recommendations of this report.

2 Strategic Overview from Cabinet

- 2.1 In strategic terms the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. For capital this involves agreeing an affordable, sustainable and prudent capital programme which reflects the Council's priorities as set out in the Council's Corporate Plan, *Ambitions*, shown below:

- Clean and Safe Neighbourhoods
- Healthy and Happy Communities
- A Thriving and Prosperous Economy
- An Ambitious and Forward-Thinking Council.

3 Capital Programme

- 3.1 The proposed General Fund investment programme for the period to 2022/23 is included at **Appendix 1**. This now reflects Cabinet's budget proposals. A number of bids were included in the Capital Programme Development Pool; these were bids that were agreed in principle but it was felt by Cabinet that more work was required for the bid to be elevated into the full programme.
- 3.2 The proposed programme retains a strong focus on ensuring that the Council's infrastructure and facilities are fit for purpose, as well as retaining previously approved public realm improvements to help promote economic growth and generate income.
- 3.3 The current year's revised programme now stands at £9.20m. During the next three years, a further £10.94m of investment is currently planned, giving a total 5 year programme from 2018/19 to 2022/23 of £27.59m.
- 3.4 Overall the programme is balanced, allowing for a gross increase of £13.02m in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the five year period to 2022/23. The Council makes a revenue provision for the repayment of borrowing which reduces the CFR and the Treasury Management Strategy contains prudential indicators which ensure that the increase in the need to borrow remains affordable.

4. Capital Strategy

- 4.1 For the first time in 2019/20, the Council has adopted a Capital Strategy and this is included as **Appendix 2**. This is an overarching document which sets the policy framework for the development, management and monitoring of capital investment. It incorporates the Capital Programme, Asset Management Plan, Property Investment Strategy and Treasury Management Strategy.
- 4.2 The Capital Strategy sets out core principles that underpin the Capital Programme. These are:
 - Capital investment decisions will reflect the priorities included within the Council Plan, *Ambitions* and supporting strategies including Funding the Future, the Property Investment Strategy and the Asset Management Plan
 - Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial, commercial and management criteria. These will be reviewed by a corporate Capital Strategy Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.
 - The Capital Strategy Group will also oversee capital financing in order to ascertain that all capital expenditure is affordable, prudent and sustainable as set out in the Treasury Management Strategy
- 4.3 The Council recognises that it will play a pivotal role in key projects which will enable the district to thrive and grow. Further development of the Capital Programme is

needed over the next few years in order to properly encapsulate these major economic development projects. An Economic Growth Plan is currently being developed by the Director of Economic Growth and Regeneration setting out an overarching coherent medium term plan for the district. As the plan develops individual capital schemes contributing to its delivery will be identified and brought forward to Capital Strategy Group for assessment. Similarly other strategies under development in the coming months which have capital expenditure implications, such as the Climate Change Action Plan, will also be considered by the group.

- 4.4 In addition capital bids will come forward in respect of property investments and asset management rationalisations. For such bids, accompanying business cases should be able to show that the revenue costs relating to capital expenditure are covered by income arising out of investment and/or reductions in premises net expenditure.
- 4.5 The Treasury Management Strategy and Property Investment Strategy are considered separately on this Budget Council agenda.

5 Options and Options Analysis (including risk assessment)

5.1 Capital Investment and Programming

For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2018/19 and 2019/20 must balance.

Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

6 Conclusion

- 6.1 This report addresses the actions required to complete the budget setting process for capital, and for updating the Council's associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.

LEGAL IMPLICATIONS

Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS**Human Resources / Information Services / Property / Open Spaces:**

Various budget proposals have resource implications and these have been taken account of in Cabinet's consideration of budget options as far as possible at this stage. Their implementation would be in accordance with council policies and procedures, as appropriate.

SECTION 151 OFFICER'S COMMENTS**Affordability of Capital Spending Plans**

The s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration.

In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having particular regard to the impact on council tax for General Fund. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political and national influences.

The factors that have been (and should be) taken into account in considering capital investment plans include the following.

- availability of capital resources, including capital grants, capital receipts, etc.
- existing liabilities, service needs, commitments and planned service / priority changes
- options appraisal arrangements (including the extent to which other liabilities may be avoided, through investment decisions).
- revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing.
- future years' revenue budget projections, and the scope to meet borrowing costs.
- the likely level of government support for revenue generally.

In considering and balancing these factors, the capital proposals to date are based on a substantial net increase in the Council's Capital Financing Requirement (CFR) for General Fund over the period to 2022/23, with the bulk of this relating to service infrastructure. A minimum revenue provision is set aside each year for the repayment of debt and this reduces the CFR. The Treasury Management Strategy prudential indicators provide an assurance that the Council's borrowing is, at all times, affordable sustainable and prudent.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Equality Impact Assessments for budget proposals.

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