

Report For:	Cabinet
Date of Meeting:	Cabinet 17 December 2018
Part:	Part 1 - Open Report with Part 2 Appendices
If Part 2, reason:	Para 3 - Information about the financial or business affairs of any particular person (including the authority holding that information).

SUMMARY	
Title of Report:	FUTURE YEARS DRAFT CAPITAL PROGRAMME 2018/19 TO 2023/24
Cabinet Member:	Councillor David Watson
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Wards affected:	All
Reason for the Decision:	The Cabinet approves a capital budget each year to invest in the Council's key priorities as set out in the Corporate Plan. Programme boards review the major projects within the capital programme on a monthly basis and take corrective action as appropriate within their delegated limits. Regular monitoring reports are submitted to Cabinet for review during the financial year, with management actions highlighted to ensure that Cabinet can assess whether any further action is required.
Proposed Recommendation:	To recommend to full Council, approval of the Capital virement of £2.200m to meet the potential increase in development cost of the Temporary Accommodation scheme, funded from the Strategic Acquisitions budget in Economic Development and Regeneration as detailed in Appendix B (Exempt).

<p>Proposed Decision:</p>	<p>That:</p> <ul style="list-style-type: none"> (i) the draft capital programme in December 2018 for 2018/19 to 2023/24 totalling £134.6m as summarised in Table 2 (paragraph 13) be noted; (ii) the Capital Supplementary Budgets of £0.718m, Capital adjustments of £0.355m and virements of £0.584m as in Table 3 (paragraph 14) be approved; (iii) It be agreed that a core principle of setting the Capital programme is that of zero borrowing with the exception of investment proposals that deliver a return in excess of a minimum net return specified by the Treasury Management Strategy and each proposal will require a business case to be presented to Cabinet for approval; and (iv) It be noted that a new Investment Strategy is currently being prepared and will be submitted to Cabinet in February 2019.
<p>Sustainable Community Strategy/Council Priorities - Implications</p>	<p>The key risks with the delivery of the capital programme are set out in paragraph 22 in the main body of the report</p> <p>Equalities: EIAs are carried out on all schemes before scheme is given full authorisation to spend</p> <p>Health & Safety: N/A</p>
<p>Monitoring Officer/ S.151 Officer Comments</p>	<p>Monitoring Officer: Legal and governance arrangements are set out within the report.</p> <p>S.151 Officer: All financial implications have been included in the report.</p>
<p>Consultees:</p>	<p>There is no statutory requirement to consult</p>
<p>Options:</p>	<p>A number of options regarding capital investment have already been considered as part of the prioritisation and review process with portfolio holders and officers resulting in a programme which meets the Council's aims and vision.</p>
<p>Next Steps:</p>	<p>Approval by Council</p>
<p>Background Papers:</p>	<p>Held in Finance & Commercial</p> <p>G:\Financial Services\Cabinet\2018\Background papers</p>

Appendices to this report are as follows:

Appendix A Capital Supporting Schedules Tables A-D

Appendix B Capital Supporting Schedules Tables E and F (Exempt)

Appendix C Details of Temporary Accommodation Virement (Exempt)

Appendix D Details of Capital Budget Process

Executive Summary

1. The programme sets out how the Council will spend **£48.1m** in 2019/20 and **£134.6m** across five years from 2018/19 to 2023/24 (including 2018/19)
2. The Programme includes **new capital schemes totalling £13.7m** as set out in **Appendix A** Table C. In addition **CIL schemes of £4.6m**, which were submitted to Cabinet in November 2018, are included within the Programme
3. A key element of the budget process this year was to systematically review and prioritise all uncommitted spend for each portfolio with key officers and the portfolio holder. These sessions gave rise to the adjustments shown in **Table B in Appendix A**
4. If any scheme requires feasibility work, these costs are unlikely to be capitalised and are therefore budgeted and funded through revenue.
5. Within the programme, **£29.8m is committed** on projects which are in delivery. The remaining balance will require full business cases to be provided to ensure the scheme remains a priority and should go ahead.
6. A core principle in setting the programme has been to ensure zero borrowing over the term of the programme. This has been achieved as set out in **Table 4** (paragraph 15) below.

Background

7. The Capital Programme represents a major opportunity to make a step change in meeting some of the Councils' key priorities. The Council has a wide range of needs, and the strategy to tackle these needs, and how resources should be targeted and prioritised, are set out in the Corporate Plan. The Capital Programme has been constructed in line with the Corporate Plan's key themes as summarised below:
 - A great place to be – our Place priority
 - Strong communities – our People priority
 - Growth and prosperity – our Prosperity priority
 - Efficient and effective – our Progress priority

The budget process followed this year is set out in detail in **Appendix D**

8. The programme includes the following Major investment budgets:

Table 1

Portfolio	Description	Cost Centre	Funding Source	Total
Community	Court Garden Leisure Centre	EDBC64	CR	
	Facilities for Young People	ECBD19	CR	
	Risborough Springs Extension	EDBC76	CR	
	New Cemetery at Queensway	EDFA62	CR, CIL, Res	
Community Total				6,204
Housing	Affordable Housing / Land Purchase - S106	EDBB01	CR	
	Renovation Grants - DFG	EFBB03	DFG	
	Temporary Accom. Scheme	EDBB10	CR	
Housing Total				14,895
Econ. Devt and Regen.	30 and 34 Oxford Road	EDBB96	CR	
	Ashwells	EDBC92	CR	
	Baker St - Phase 1 Aldi	EDBC41	CR	
	Baker St - Phase 3A Des Box	EDBC43	CR, s106	
	Bassetbury Allotments	EDBD01	CR, LRF	
	Bellfield - Hqube Phase 1 and 2	EDBC52	CR	
	Regeneration Fund	EDBB99	CR	
	Strategic Acquisition	EDBC37	CR	
	Glory Mill, Wooburn	EDFA65	CR	
	Ottakers Building	EDFA88	CIL	
Econ. Devt and Regen. Total				30,682
Planning	Strategic Land Acquisitions	EDFA71	CR	
	Abbey Barn Lane Realignment	EDFA70	HIF	
	HWTC Masterplan - Alternative Route	EDBC40	CIL	
	Princes Risborough relief road Phase 1	EDFA68	CIL, HIF	
Planning Total				44,920
Digital Devt. & Cust. Services	Digital First	EHAA09	CR	
Digital Devt. & Cust. Services Total				1,150
Grand Total				99,001

Updating the Capital Strategy

9. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.
10. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
11. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.
12. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place an Investment strategy. The Investment Strategy is being refreshed to ensure it clearly articulates the Council's approach to investment of all types and will be presented to full Council in February 2019.

Future Years Capital Programme (Appendix A)

13. Details of the five years capital programme is included at Appendix A by portfolio. The Programme total including 2018/19 is **£134.6m** and has decreased by **£22.4m** since the last reported Capital programme to the cabinet in November 2018. The programme is summarised below:

Table 2

	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2018/19 - 2023/24	Table
Current Plan	24,877	50,311	35,008	35,749	10,761	303	157,009	A
Less:								
Supplementary Adjts	718	-	-	-	-	-	718	
Scheme stopped/removed	(355)	-	-	-	-	-	(355)	
Virements	200	(200)	-	-	-	-	-	
Reprofile/Move to pipeline	-	(13,066)	(16,956)	(10,661)	(422)	-	(41,105)	
	563	(13,266)	(16,956)	(10,661)	(422)	-	(40,742)	B
Adjusted Plan	25,440	37,045	18,052	25,088	10,339	303	116,267	E
Add:								
New schemes		6,453	7,214	-	-	-	13,667	C
New schemes CIL		4,638	-	-	-	-	4,638	D
	-	11,091	7,214	-	-	-	18,305	
Draft Capital Plan	25,440	48,136	25,266	25,088	10,339	303	134,572	
Pipeline								
Transferred from Original Plan	-	6,066	14,956	15,661	4,422	-	41,105	
New schemes		2,000	1,000	13,000	4,750	250	21,000	
Total Pipeline	0	8,066	15,956	28,661	9,172	250	62,105	F

Please refer to **Appendix A** for Tables A – D, and **Appendix B** (exempt) for Tables E and F

Virements and Adjustments to Current Programme

14. Cabinet is asked to approve the following adjustments and virements as shown below:

Table 3

Adj Type	Portfolio	Description	Reason	2018/2019	2019/2020	2020/2021	Total Adjts
AS	Econ. Devt and Regen.	Baker St - Public Realm	Supplementary budget to meet cost of Public Realm works as agreed at Cabinet Nov 2017	218			218
AS	Econ. Devt and Regen.	Bassetbury Allotments	Supplementary budget to meet revised cost of developing site (Land Release Fund Grant)	500			500
AS Total				718			718
A	Econ. Devt and Regen.	Handy X - Phase 3 Carwash	Scheme not being taken fwd. (impractical). Use budget to help fund new Parking management equipment for Coachway car park.	(184)			(184)
A	Econ. Devt and Regen.	Easton Quarter	Feasibility costs - to be funded from revenue - recycle budget to Capital Receipts Reserve	(85)			(85)
A	Planning	HWTC Enhanced Maint.& Access	Maintenance costs to be funded from CIL revenue	(86)			(86)
A Total				(355)			(355)
V	Econ. Devt and Regen.	Baker St - Phase 3A Des Box	Underspend on Fieldhouse Lane vired to cover fit out and security costs of project	200			200
V	Econ. Devt and Regen.	Bellfield - Hqube Phase 1 and 2	Underspend from Grange Farm to fund contingency and Photo Voltaic installation.		384		384
V	Econ. Devt and Regen.	Grange Farm development	Underspend on project vired to Bellfield		(384)		(384)
V	Econ. Devt and Regen.	Investment Property at Fieldhouse Lane	Underspend on project vired to cover additional investment in Des Box		(200)		(200)
V	Econ. Devt and Regen.	Strategic Acquisition	* Vire to Temp Accom scheme as development cost contingency		(700)	(1,500)	(2,200)
V	Housing	Temporary Accom. Scheme	* Budget virement to meet potential additional £2m cost in scheme cost		700	1,500	2,200
V Total				200	(200)	-	-

Key: AS Supplementary Estimate, 'A': Adjustment, V: Virement

*£2.2m virement re Temporary Accommodation Scheme - Please refer to Exempt **Appendix C** for details

Funding

15. The funding of the Capital Programme is set out in table 4 below:

Table 4

Capital Plan - Funding	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	Total
Capital Receipts - Capex	17.5	16.8	9.5	12.7	6.3	-	62.6
Borrowing	-	-	-	-	-	-	-
CIL	4.2	8.3	-	-	-	-	12.4
S106	2.3	1.6	-	1.5	1.2	-	6.7
DFG	0.8	0.8	0.8	0.8	0.8	-	4.0
ACF	-	2.7	-	-	-	-	2.7
HiF	0.2	1.3	6.2	10.1	1.7	-	19.5
LRF	0.5	-	-	-	-	-	0.5
Use of Revenue Reserves	-	16.6	8.8	-	0.4	0.3	26.1
Funding Grand Total	£25.4m	£48.1m	£25.3m	£25.1m	£10.3m	£0.3m	£134.6m
Capital Plan - Summary	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	Total
Capital Plan							
Current Plan	25.4	37.0	18.1	25.1	10.3	0.3	116.3
New Schemes	-	11.1	7.2	-	-	-	18.3
Total Capex	£25.4m	£48.1m	£25.3m	£25.1m	£10.3m	£0.3m	£134.6m

Note

1
2

Note:

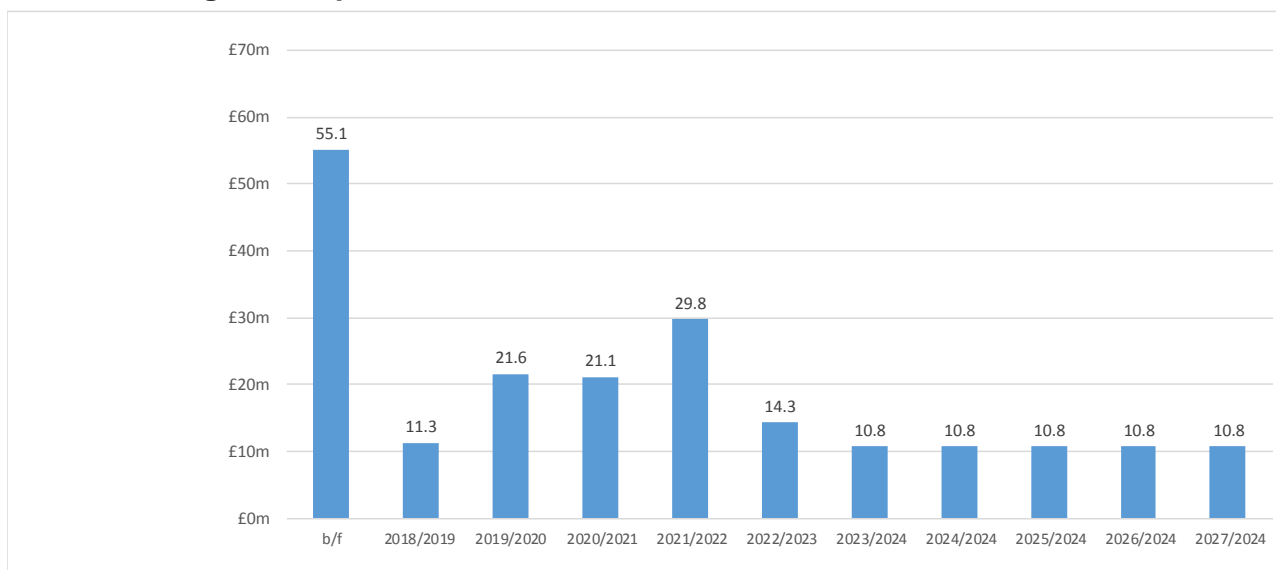
1. Accelerated Construction Fund (ACF) funding related to Infrastructure Development

2. Housing Infrastructure Funding (HiF) Funding relates to Abbey Barn Lane Realignment (£7.5m) and Princes Risborough relief road Phase 1 (£12m). These schemes will not proceed if the funding is not forthcoming.

16. The council has bid for funding from HIF, ACF and other external bodies and it awaits the announcement of the outcome of those processes. The programme incorporates the bid on the basis that the funding is secured. Should any grant award be less than the Council has assumed and given its commitment to supporting economic growth, the Council will need to reconsider its capital expenditure and investment plans to ensure they are affordable. Any shortfall in funding may lead to external borrowing with its consequent impact on the Council Tax.
17. The programme is in part funded by **Capital receipts of £62.6m** over the 5 year period to 2022/23. The final receipt on any scheme will be subject to the prevailing market conditions and any changes to the investment and/or development plan for that scheme. Developments and disposals are kept under regular review and any impacts on the programme are assessed and corrective action taken as required.
18. The Council continuously scan for external grants and leveraged funding opportunities to reduce the net cost of delivering the programme
19. The 10 year funding envelope is set out in **Table 5**. There is a clear reduction in expected receipts from 2022/23 onward as the assets available for disposal reduce.

Table 5

10 Yr Funding Envelope



	Balances b/f	Yrs 1-5					Yrs 1-5	Yrs 1-5 + op bals	Yrs 6-10	Total
		2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023				
Capital Receipts	16.8	5.1	12.3	9.5	13.0	6.0	45.8	62.6	15.0	£77.6m
CIL	8.0	4.0	4.0	4.0	4.0	4.0	20.0	28.0	20.0	£48.0m
S106	5.6	-	-	-	1.5	1.2	2.7	8.4	-	£8.4m
DFG	-	0.8	0.8	0.8	0.8	0.8	4.0	4.0	4.0	£8.0m
HiF Abbey Barn Lane	-	0.1	0.5	0.2	5.0	1.7	7.5	7.5	-	£7.5m
HiF Princess Reisb Relief Rd	-	0.1	0.8	6.0	5.1	-	12.0	12.0	-	£12.0m
ACF	-	2.7		-	-	-	2.7	2.7	-	£2.7m
LRF	-	0.5	-	-	-	-	0.5	0.5	-	£0.5m
Revenue Reserve	24.7	0.7	0.5	0.6	0.4	0.6	2.8	27.5	15.0	£42.5m
Total Funding available	£55.1m	£11.3m	£21.6m	£21.1m	£29.8m	£14.3m	£98.0m	£153.1m	£54.0m	£207.1m

Note:

1. The £16.1m difference between the CapEx for the 5 years to 2022/23 of £134.3m and the £153.1m funding envelope relates primarily to the CIL and s106 balances which stand at £17.3m at the end of 2022/23. New schemes will be funded from these reserves during the 5 year period.

MLG

20. On 1 November 2018 the Secretary of State for Housing, Communities and Local Government) told the House that he had decided to implement, subject to Parliamentary approval, the locally-led proposal to replace the existing five councils across Buckinghamshire – the two tier structure of Buckinghamshire County Council and the district councils of Aylesbury Vale, Chiltern, South Bucks and Wycombe – by one new single unitary district council. The new council will be established on 1 April 2020.
21. Clearly, in time, this will have an impact on the capital Plan and we look forward to working with our neighbouring Councils to develop a plan in due course that continues to invest in the delivery of services, support the economic vibrancy of the district and the provision of services to residents.

Risks

22. The key risks with the delivery of the Capital programme are set out below:

Capital Programme Risks

Item	Description	Mitigation
1	Cost overruns	Robust business cases/Regular monitoring and contingency provision within the project
2	Time overruns - delays to project	Regular monitoring of key-milestones; robust contractual arrangements
3	Insufficient Internal legal and procurement resources to set up and deliver projects	External Consultants, increase in internal resource
4	Grants - reduction /do not materialise /claw back	Other funding source/confirmation of grant before starting the project/stop the project if feasible
5	Shortfall in funding (Capital Receipts and Revenue)	Re-prioritise projects that are at approval stage, Borrowing
6	Change in strategic priorities arising from MLG	Engagement with Shadow Board
7	Failure to achieve planning consent of major projects	Pre-planning application service
8	Failure of external partners to deliver	Regular monitoring of key-milestones; robust contractual arrangements
9	Unexpected revenue impacts from scheme	Thorough evaluation of business case to consider revenue impacts
10	Economic and Brexit risks	Regular engagement with property and development external advisors to assess market conditions
11	Interdependent Projects	Single overall programme management structure - close monitoring of progress and risks