

# Corporate Services Policy Advisory Committee

18 January 2023

## Medium Term Financial Strategy – Capital Programme

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	18 January 2023
Executive Meeting	25 January 2023
Council	22 February 2023

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	Not applicable
<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Lead Officer and Report Author</b>	Paul Holland, Senior Finance Manager (Client)
<b>Classification</b>	Public
<b>Wards affected</b>	All

### Executive Summary

This report forms part of the process of agreeing a budget for 2023/24 and setting next year's Council Tax. It develops the outline of the capital programme and reconfirms the principles behind the Council's capital strategy, explains how the capital programme will be funded, and describes the individual projects that comprise the programme.

### Purpose of Report

The report enables the Committee to consider and comment on the capital programme.

**This report makes the following recommendations to the Corporate Services Policy Advisory Committee:**

That the Committee recommends to the Executive that it:

1. Agrees the capital strategy principles set out in paragraph 2.6;
2. Agrees the capital funding projection set out in Appendix 2 to this report;
3. Agrees the capital programme 2023/24 onwards as set out in Appendix 3 to this report;
4. Notes that in agreeing recommendations 2 and 3 above the Committee will set a prudential borrowing limit of £193.6 million over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2023/24;

# Medium Term Financial Strategy – Capital Programme

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The Medium-Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. Specifically, the capital programme allows for investment in long term projects that support the strategic plan objectives.	Section 151 Officer & Finance Team
<b>Cross Cutting Objectives</b>	The MTFS supports the cross-cutting objectives in the same way that it supports the Council’s other strategic priorities.	Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	Set out in the report.	Section 151 Officer & Finance Team
<b>Staffing</b>	Staffing implications are taken into account when developing individual capital schemes.	Section 151 Officer & Finance Team
<b>Legal</b>	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.</p> <p>The Medium-Term Financial Strategy demonstrates the Council’s commitment to fulfilling its duties under the Act.</p> <p>Approval of the budget is a matter reserved for full Council upon recommendation by the Executive.</p>	Interim Team Leader (Contentious and Corporate Governance)
<b>Information Governance</b>	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes.	Senior Information Governance Officer
<b>Equalities</b>	This report sets out the overall capital programme. When an individual capital	Equalities and

	<p>scheme is developed, changed or reviewed, an evidence-based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.</p>	<p>Corporate Policy Officer</p>
<p><b>Public Health</b></p>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium-Term Financial Strategy which sets the overall priorities for the capital programme.</p>	<p>Public Health Officer</p>
<p><b>Crime and Disorder</b></p>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium-Term Financial Strategy which sets the overall priorities for the capital programme.</p>	<p>Section 151 Officer &amp; Finance Team</p>
<p><b>Procurement</b></p>	<p>Procurement of the capital schemes described in section 2 of this report will be in accordance with the procurement provisions within the Council's constitution.</p>	<p>Section 151 Officer &amp; Finance Team</p>
<p><b>Biodiversity &amp; Climate Change</b></p>	<p>The capital programme includes provision for funding to deliver schemes which will help meet the Council's biodiversity and climate change objectives.</p>	<p>Biodiversity and Climate Change Manager</p>

## **2. INTRODUCTION AND BACKGROUND**

### **Background**

- 2.1 The capital programme plays a vital part in the Council's Strategic Plan, since long term investment is required to deliver many of the objectives of the plan. The capital programme is a rolling five-year programme, so sets out over the medium term how the Council will invest its capital resources.
- 2.2 The current capital programme 2022/23 – 2025/26 was approved by Council at its meeting on 23<sup>rd</sup> February 2022 and totals £233.5 million over five years. Details are set out in Appendix 1.
- 2.3 As part of budget setting process the Executive have considered the principles to ensure the capital plan is affordable and sustainable. In a similar manner to the Revenue budget considered three scenarios as part of setting the capital programme. The 3 scenarios are:
- 1) Minimum – delivering projects in progress, ensuring we meet our health and safety requirements and maintaining our assets.
  - 2) Optimum (prudent) – delivering the minimum and focusing capital investment on the strategic priorities.
  - 3) Maximum – delivering 1 and 2 plus further investment in other services.
- 2.4 The Optimum is the programme in Appendix 1 which we are recommending is approved. This has required some tough choices to ensure the capital investment is sustainable and affordable. The Minimum option would be significant reduction, as we would focus on maintaining assets and finishing projects. Over the 5-year period this would be around £36.8m. The Maximum is where the aspirations for Maidstone we discussed. The key areas where further investment was discussed, and investment considered were :
- New Leisure Facility £30.0m in addition to the maintenance costs.
  - Delivering 1,000 homes quicker £113.5m
- These additional costs would have increased the capital programme over the 5 years to around £266.6m.
- 2.5 The updated capital programme includes some significant reprofiling of the Private Rented Sector and 1,000 Affordable Homes housing schemes, as well as a number of new schemes. The current 5-year programme totals £202.5m over 5 years, so this updated programme is being delivered within a similar budget envelope. Individual items within the programme will be subject to specific reports to the Committee in due course. Additional projects to deliver other key priorities such as Temporary Accommodation, decarbonisation, town centre strategy and the purchase of vehicles for the waste contract are also included. Overall, it is considered that the expansion of the programme is affordable and sustainable and is required in order to deliver the Council's strategic objectives.

## **Capital Strategy**

- 2.6 Under CIPFA's updated Prudential Code, the Council is required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2.7 The Capital Strategy is being considered by Audit, Governance & Standards Committee at its meeting on 16<sup>th</sup> January 2023. The Strategy describes how the Capital Programme is developed and the key points are set out below.
- 2.8 The Council has defined certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:
- (i) Required for statutory reasons, e.g., to ensure that Council property meets health and safety requirements;
  - (ii) Self-funding schemes focused on Strategic Plan priority outcomes;
  - (iii) Other schemes focused on Strategic Plan priority outcomes; and
  - (iv) Other priority schemes which will attract significant external funding.
- 2.9 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
- (a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes are also subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
  - b) Where schemes require the use of prudential borrowing, a business case must first be prepared setting out the viability and justification in terms of necessity or contribution to the delivery of strategic goals.
- 2.10 Where schemes do not fit within the criteria above, but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out above.
- 2.11 If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by Policy and Resources Committee, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.

- 2.12 The Medium-Term Financial Strategy (MTFS) requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 2.13 The MTFS principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
- a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
  - b) Opportunities to obtain receipts from asset sales as identified in the asset management plan and approved for sale by Policy and Resources Committee;
  - c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
    - i. financial viability of the schemes can be clearly evidenced;
    - ii. the outcome returns economic value commensurate to the cost incurred by borrowing to fund the schemes;
    - iii. after covering the cost of funding, a further benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium-term financial strategy.
  - d) The use of residual New Homes Bonus for capital purposes (after a £1m top slice to support the revenue budget), in line with the Council's strategic plan priorities;
  - e) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.
- 2.14 Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Each Policy Advisory Committee appraises the proposals based on a comparison with corporate priorities. The Executive then recommends the capital programme which is then presented to Council in February each year.
- 2.15 Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.

### **Funding the Capital Programme**

- 2.16 All capital expenditure must be financed, either from external sources (grant funding and other contributions), the Council's own resources (revenue contributions, earmarked reserves, internal borrowing and capital receipts) or debt (external borrowing and other forms of corporate finance).

- 2.17 The Council currently has external borrowing of £5 million, representing Public Works Loan Board borrowing. With internal resources expected to be fully utilised in future, the Council will look to increase external borrowing to a maximum of £247.585m over the 5-year lifetime of the capital programme. Over this time the Council will seek a mixture of long term and short-term debt to minimise the risk of refinancing. The Director of Finance, Resources & Business Improvement may look to procure forward borrowing terms ahead of requiring funding for the capital programme. This is to lock into preferential rates in case of future rate rises.
- 2.18 The Council has hitherto used the New Homes Bonus to fund capital expenditure. The allocation for 2023/24 onwards has been reduced to £1.9 million, so to ensure that there is sufficient funding to support the viability of the 1,000 New Homes programme it is envisaged that this will be topped up from the Funding Guarantee that was announced as part of the Local Government Financial Settlement in December 2022.
- 2.19 External funding is sought wherever possible. The Council has received funding from the Government via the UK Shared Prosperity Fund, some of which is allocated to capital schemes, and funding will be sought in particular to support the Affordable Housing Programme.
- 2.20 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL).
- 2.21 The resource available for the capital programme, based on the detail above, is given in Appendix 2. The appendix shows total resources expected in the period 2023/24 to 2027/28 as £201.893m.

## **Capital Programme Proposals**

- 2.22 Capital Programme proposals have been developed based on the principles set out above and reflect the strategic priorities agreed by Council when it set the current Strategic Plan.
- 2.23 Appendix 3 to this report sets out the recommended programme. This includes schemes that already form part of the existing capital programme together with new schemes that it is now proposed to include within the capital programme. Further details are set out below.

### *Communities, Housing and Environment*

- 2.24 1,000 Homes Affordable Housing Programme - £72.4 million

In the Autumn of 2021, The Leader of the Council announced his ambition to build 1,000 affordable homes in the shortest period possible. A development strategy setting out how this ambition can best be achieved was agreed by Policy & Resources Committee on 19th January 2022. It is likely that the whole programme will take ten years to deliver, but the MTFs and capital programme is focussed upon the expenditure that will occur in the first five



years. The programme is likely to provide only Affordable Rented homes that will be let at 80% of market rent, capped at the Local Housing Allowance. The expenditure shown is net of any grant receipts from the likes of Homes England that will be necessary to deliver the programme. Expenditure in the initial years of the programme will be relatively modest as the focus will be upon land identification and acquisition, and the more costly works contracts will follow in the later years.

As indicated in the report on this item elsewhere on this evening's agenda, a subsidy will be required to deliver this Programme, which will be provided through a separate Housing Investment Fund.

#### 2.25 Private Rented Sector Housing Programme - £33.1 million

This encompasses a number of schemes that are in the process of being identified and brought forward, but at this stage in the main are not contractually committed. These will be the subject of separate committee reports at the point a decision to proceed or not is required. This budget includes the refurbishment works being undertaken at Granada House (which is an existing PRS asset). All these PRS assets will be owned by the Council but leased (on a long-term basis) upon completion to Maidstone Property Holdings Limited to manage.

#### 2.26 Temporary Accommodation - £32.0 million

The Council has a programme to acquire housing on the open market for temporary accommodation, as it is more cost-effective to use our own property for this purpose and enables delivery of a revenue saving. It is proposed to buy further units in over the next three years to deal with the rising numbers of people who are being made homeless as a result of the current economic crisis.

#### 2.27 Commercial Development (Maidstone East) - £1.97 million

The New Business and Housing Development team are in the process of preparing and submitting a planning application for the site. It will comprise circa 220 residential units, but in order to respond to the Local Plan Policy for the site, the scheme will need to include some non-residential (commercial) space too. At this stage, the expectation that this will be a Health related usage, most likely a GP surgery. A positive dialogue is ongoing with the local health trust, but no firm commitments have been made at this stage. This commercial usage is relatively modest in scale relative to the proposed residential accommodation.

#### 2.28 Heather House Community Centre - £1.4 million

The Council decided to make a planning application to replace this facility with a brand-new community centre, together with the redevelopment of the adjacent Royal British Legion Pavilion site (for new housing), that also features in the capital programme. A resolution to grant planning permission was made in November 2022, and the works for both sites are currently being procured. Prior to any works contract being let, a further approval will be required by The Executive, and it is envisaged that a proposal will be ready to consider in circa April 2023. The cost of the new

community infrastructure may be offset to some degree by a combination of external grants, contributions, S106 and possibly even CIL monies.

#### 2.29 Disabled Facilities Grants - £4.0 million

The Council works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This element of the capital programme therefore has a directly beneficial impact for individual local residents. Assistance under this budget is not funded by the Council but is funded from the Department of Health Better Care Fund (BCF) as a specific capital grant.

#### 2.30 Acquisitions Officers Social Housing Delivery Partnership - £200,000

This funding is for two Acquisitions Officers to ensure delivery of the affordable housing programme, with the costs of the posts and ancillary costs capitalised and charged to the programme.

#### 2.31 Street Scene Investment - £250,000

This capital programme item allows for items such as the provision of new bins.

#### 2.32 Flood Action Plan - £550,000

The Council works with the Environment Agency and Kent County Council as part of the Medway Flood Partnership to develop measures to manage and reduce flood risk. A capital budget of £1 million was set aside for a flood action plan following the last major floods in the Maidstone area in winter 2013/14. No large-scale flood mitigation scheme was found to be feasible and individual household flood mitigation measures have been funded through central government grants. The residual budget is therefore being carried forward to fund further schemes that may be developed, including natural flood management schemes.

#### 2.33 Continued Improvements to Play Areas - £280,000

This budget allows for play areas to continue to be upgraded to ensure they meet the current specifications and requirements.

#### 2.34 Parks Improvements - £330,000

This is an annual budget to allow for any works that are identified in the parks to be undertaken, particularly where there is a health and safety issue to be addressed.

#### 2.35 Section 106 Funded Works Open Spaces – £2.0 million

This reflects open spaces capital projects that are funded by S.106 contributions. These works have been taking place for a number of years, but it is considered appropriate that the programme reflects this to show the total forecast capital expenditure.

#### 2.36 Expansion of Cemetery - £200,000

Further works are required to complete the tarmacking works in the cemetery and there are further plans for new fencing and possible expansion of the site to create space for new graves.

#### 2.37 Expansion of Crematorium - £340,000

The proposal is to invest in a café and a florist on the site to generate additional revenue at the crematorium. Completion of the covered walkway is also included in the scheme.

#### 2.38 Purchase of New Waste Collection Vehicles - £5.8 million

As part of the new waste collection contract the Council is planning to fund the capital costs of the new vehicle fleet, as it can access cheaper borrowing at lower rates than the contractor, and this will significantly reduce the costs of the contract. The budget sum includes a contingency for potential material and labour cost increases during the manufacturing process. The capital cost of the fleet was included within the evaluation process to ensure value for money is achieved.

### *Economic Regeneration & Leisure*

#### 2.39 Mote Park Lake Dam Works - £20,000

This budget is required for the final completion of this scheme

#### 2.40 Museum Development Plan - £389,000

This capital budget exists to support implementation of the Museum's 20 year plan. A key element of this plan is to improve the quality of displays and storytelling in the Museum's permanent galleries through a rolling programme of refurbishment and redisplay. The first phase of this work will be a new gallery telling the story of Maidstone from prehistory to the end of the medieval period. Work is under way on planning this gallery, with a target opening date of Summer 2024. Although included in the capital budget for 2022/23, most of the planned expenditure of £389,000 is now expected to slip to 2023/24. The Council's funding is expected to be matched by external fundraising by the Maidstone Museums Foundation.

#### 2.41 Leisure Provision - £7.0 million

Options for the future of the Leisure Centre were presented to the Economic Regeneration and Leisure Policy Advisory Committee in December 2022. This is an indicative budget at this stage, allowing for practical improvements to be made to the Leisure Centre in the short term, pending a refurbishment or replacement of the existing facilities in the medium term.

#### 2.42 Tennis Courts Upgrade - £20,000

This funding is required to bring the courts in the parks back up to an acceptable playing standard.

#### 2.43 Riverside Walk - £250,000

Proposals are under consideration for a riverside walk alongside the Medway by the Lockmeadow Millennium Bridge. Better access to the 22 river would be created from the Maidstone road bridge and other areas of interest along the river would be linked, such as the memorial park and Archbishop's Palace. Improvements to the riverside path would increase safety and reduce antisocial behaviour. Costings and detailed proposals are still to be developed and third party funding will be sought for the project. Specific proposals will be brought forward in due course but for the purpose of developing the capital programme an indicative budget was included in the capital budget for 2022/23. The planned expenditure of £250,000 is now expected to slip to 2023/24.

#### 2.44 Mote Park Kiosk Refurbishment & Extension - £200,000

Following the opening of a new visitor centre on the southern side of Mote Park Lake, this project is intended to provide clean and safe facilities to replace the existing toilet block on the northern side

#### 2.45 Town Centre Strategy - £5.5 million

The emerging Town Centre strategy action plan will present short-, medium- and long-term projects for improvements in the Town Centre, as part of a wider package of town centre projects. The capital programme includes an indicative sum of £5.5m to assist with delivery of these projects

#### *Corporate Services*

#### 2.46 Corporate Property Acquisitions - £12.5 million

It is envisaged that the Council will continue to seek further suitable opportunities to acquire assets which help deliver the Council's strategic objectives, following the previous acquisitions of the Lockmeadow Leisure Complex, Maidstone House and various industrial units. The capital programme includes this fund which is intended to give the capacity to pursue opportunities to enhance the corporate property portfolio. The Council continues to work with selected agents to identify suitable opportunities and these will be brought forward for member approval when identified.

#### 2.47 Lockmeadow ongoing investment - £1.5 million

Given the current economic environment further investment in the site will be needed to encourage both existing tenants to continue to operate and to also attract new ones in the future, as well as continuing to make it an attractive place to visit. This will help protect existing rental income streams and possibly increase them in due course.

#### 2.48 Garden Community - £1.5 million

The Heathlands Garden Community is a public sector led proposition, whereby the Council is working in partnership with Homes England to promote the scheme through the Maidstone Local Plan Review (LPR). Positive progress continues to be made, as Heathlands now features as a draft "allocation" within the LPR, that is now approaching the stage 2 Hearings. Both partners are sharing the promotional costs 50:50, which are expected to total circa £3m to achieve the "allocation" in the adopted LPR later in 2023. Should this be achieved, there would be a further circa £2m of shared expenditure to achieve the outline planning permission, in 2025.

#### 2.49 Infrastructure Delivery - £5.0 million

Infrastructure schemes as outlined in the Local Plan are in general funded directly from the benefits gained from the development. However, in some cases, it is appropriate for the Council to invest directly in infrastructure, for example where viability assessments indicate a funding gap and where it is appropriate for the Council to meet the shortfall in order to enable strategic priorities to be met. An annual amount of £1.0 million has been set aside within the capital programme for this purpose. Including rolled up unspent budget from previous years, this gives a total allocation of £6.2 million over the lifetime of the capital programme.

#### 2.50 Asset Management / Corporate Property - £1.6 million

The Property Services section carries out a 5-year cycle of condition surveys of Council property which provide a costed programme of essential replacement or refurbishment of building elements to ensure the proper, compliant and efficient operation of the buildings in accordance with the Asset Management Plan. There is no financial return from the projects, but they do eliminate the accumulation of a backlog of maintenance, reduce the risk of failure and interruption of service and the cost of reactive maintenance.

#### 2.51 Other Property Works - £880,000

This budget is for work required to various commercial properties to meet the requirements of the current Minimum Energy Efficiency Standards. This will mainly be upgrades to LED lighting and heating systems, but there may be a need to replace windows and improve insulation in some of the older buildings.

#### 2.52 Biodiversity & Climate Change - £5.3 million

This funding will be used for a number of projects including the purchase of electric vehicles along with investment in charging infrastructure, open space and wetland creation, flood prevention, tree planting and looking to make the Council's buildings more energy efficient with a view to reducing both costs and carbon emissions.

#### 2.53 Photovoltaic Panels - £234,000

Proposals are under consideration for a solar panel arrays to be installed at several council owned locations. The arrays that are proposed on the available space would reduce the councils carbon emissions. They would be connected directly to Council properties with excess power generated sold to the national grid. The arrays will be installed along with green roofs which would allow for power generation while enhancing local biodiversity. It is estimated that the capital costs would be recouped in approximately 6 to 10 years.

#### 2.54 Feasibility Studies - £250,000

An allowance has been included in the capital programme for feasibility works on schemes that are not yet ready to be included in the main programme.

#### 2.55 Digital Projects - £140,000

This programme is for hardware and software development carried out in-house by the Digital team, such as website re-design, new webcasting facilities, and investment to streamline ways of working.

#### 2.56 Software/PC Replacement - £1.0 million

This is an annual budget to allow replacement of ICT resources on an ongoing basis.

#### 2.57 Maidstone House Works - £1.5 million

This budget is to continue to allow further investment in the building to make it an attractive place to work, to protect existing rental income streams and to encourage prospective new tenants.

#### 2.58 Fleet Vehicle Replacement Programme – £1.5 million

Vehicle purchases have been capitalised previously but not included on the programme. Funding comes from capital receipts including the sale of vehicles when they reach the end of their useful life.

#### 2.59 Automation of Transactional Services - £150,000

This budget is to start the process of introducing more automated responses for telephone calls to the contact centre.

#### *Planning & Infrastructure*

2.60 There are no new schemes for this Committee. Residual funding from the Bridges Gyatory Scheme has been carried forward and will be used for a barrier to prevent flood water disgorging from the Medway Street pedestrian underpass beneath the A229.

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### **3. AVAILABLE OPTIONS**

- 3.1 Recommend that the capital strategy principles, funding arrangements and detailed proposals as set out in section 2 above are approved by the Executive and then submitted to Council.
  - 3.2 Recommend the capital programme as presented for approval by the Executive and then for consideration by Council
  - 3.3 Recommend amendments or deletion to some or all of the proposals and make any new alternative projects for consideration by the Executive.
  - 3.4 Defer a decision on the proposals to this Committee's meeting on 6<sup>th</sup> February 2023 where it can be considered as part of the full budget submission.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The preferred option is that the Committee agrees capital strategy principles (option 3.1) and recommend the proposed capital programme (option 3.2) to the Executive. Whilst a final decision is not required until Council sets a budget on 22 February 2023, an early decision by this Committee will allow advance planning to commence and will potentially allow the benefits of investment to be realised more quickly.
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### **5. RISKS**

- 5.1 From now on, the capital programme will primarily be funded through prudential borrowing. Many of the schemes outlined above are projected to be self-funding. However, this assumes that the income assumptions on which they are based are reliable. In an uncertain economic environment, there is a significant risk that the cost of borrowing and the requirement to make provision for repayment will not be covered.
  - 5.2 The scale of the capital programme – around £200 million - will require considerable capacity for delivery and project management.
  - 5.3 At present it is anticipated that funding will be available for the capital programme. The funding risk has been mitigated by committing to borrow £80 million in advance over the period 2024 to 2026 at an affordable rate. We will use our Treasury Management Strategy to manage the cost of subsequent borrowing but there is a risk that funding could become more expensive generally, thus putting at risk the viability of more marginal schemes.
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## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Corporate Services PAC received an initial report on the MTFS at its meeting on 16 November 2022.
- 6.2 Consultation is currently being carried out on the broader budget proposals for 2023/24. Corporate Services PAC are considering the budget proposals relating to capital schemes. There will be an opportunity for all PACs to consider the outcomes of revenue savings and growth during January 2023.
- 6.3 Public consultation on the budget has been carried out, as described in the report on revenue budget proposals elsewhere on the Committee's agenda. This identified that the most popular area amongst respondents for new investment was infrastructure, with flood prevention and the street scene cited as examples in the survey to illustrate what 'infrastructure' means.
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The timetable for setting the budget for 2023/24 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
6 February 2023	Corporate Services Policy Advisory Committee	Consider 23/24 budget proposals for recommendation to Executive
8 February 2023	Executive	Agree 23/24 budget proposals for recommendation to Council
22 February 2023	Council	Approve 23/24 budget

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## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix 1: Existing Capital Programme 2022/23 to 2026/27
  - Appendix 2: Estimated Capital Resources 2023/24 to 2027/28
  - Appendix 3: Proposed Capital Programme 2023/24 to 2027/28
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## **9. BACKGROUND PAPERS**

There are no background papers.