

**Medium Term Financial Strategy – Capital Programme**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	17 January 2024
Overview and Scrutiny Committee	23 January 2024
Cabinet	24 January 2024
Council	21 February 2024

<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 2024/25 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.

Note that in agreeing the capital programme it will require us to set a prudential borrowing limit of £369.1 million over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2024/25. The revenue costs of borrowing are included in the overall budget position and contribute to the future budget gap as per the Medium-Term Financial Strategy (MTFS). The cost of borrowing is estimated as £15m in the 5 year period covered by the MTFS with debt repaid over 50 years.

The approved capital programme is not approval to spend. 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, which will need to include the costs of borrowing.

## **Purpose of Report**

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

## **This report makes the following recommendations to the Overview and Scrutiny Committee:**

That the Committee recommends to Cabinet that it:

1. Agrees the capital strategy principles set out in paragraph 2.7;
2. Agrees the capital funding projection set out in Appendix 2 to this report;
3. Agrees the capital programme 2024/25 onwards as set out in Appendix 3 to this report;
4. Note that in agreeing recommendations 2 and 3 above the Committee will set a prudential borrowing limit of £369.1 million over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2024/25;
5. Give delegated authority to the Director of Finance, Resources and Business Improvement, in consultation with the Leader of the Council, to review and give approval to the business case and related budget approval for the Biodiversity & Climate Change project related to the Maidstone House and Link as set out in paragraph 2.7.

# Medium Term Financial Strategy – Capital Programme

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<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 Cabinet.</p>	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>Communities 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>Senior 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 now a rolling ten-year programme, so sets out over the medium term how the Council will invest its capital resources.
- 2.2 The current capital programme 2023/24 – 2027/28 was approved by Council at its meeting on 22 February 2023 and totals £201.9 million over five years. Details are set out in Appendix 1.
- 2.3 As part of the budget setting process the capital programme has been reviewed to ensure it is affordable and sustainable. To aid this we have increased the period of the capital programme to 10 years so we understand the longer term implications of borrowing. As part of setting the capital programme we have carried out challenge sessions to ensure projects meet the Council's defined core principles for the inclusion of schemes within the capital programme.
- 2.4 The updated capital programme includes some significant reprofiling of the Private Rented Sector and 1,000 Affordable Homes housing schemes, as well as several new schemes. Additional projects are to deliver other key priorities such as Temporary Accommodation, decarbonisation, public realm and greening and a new or refurbished leisure facility.
- 2.5 The 10 year programme totals £433.8m. In agreeing the capital programme it will require us to set a prudential borrowing limit of £369.1 million over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2024/25. The revenue costs of borrowing are included in the overall budget position and contribute to the future budget gap as per the Medium-Term Financial Strategy (MTFS). The cost of borrowing is estimated as £15m in the 5 year period covered by the MTFS with debt being repaid over 50 years in total.
- 2.6 Individual items within the programme will be subject to specific reports for approval to spend through relevant governance including the cost of borrowing. This ensures that, before any commitment is made to individual schemes, and the related borrowing undertaken, the Council can be satisfied that it meets the Prudential Code criteria that investment be affordable, prudent and sustainable.
- 2.7 There is one project that is an urgent priority and therefore we have requested delegated approval for the business case and related budget approval for the following scheme within the overall Biodiversity & Climate Change programme. Capital works at Maidstone House and Link will cost in the region of £3,481,600 and we are bidding for external funding amounting to around 66% of the cost. If we succeed the project funding will be announced before the end of 23/24 and the work will need to be completed within 1 year. The delegated approval will allow the tight timescale to be met and allows us to maximise external funding.

## Capital Strategy

- 2.8 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.
- 2.9 The Capital Strategy is being considered by Audit, Governance & Standards Committee at its meeting on 15<sup>th</sup> January 2024 and will subsequently be agreed by Cabinet at its meeting on 7<sup>th</sup> February 2024 and by Council at its meeting on 21<sup>st</sup> February 2024. The Strategy describes how the Capital Programme is developed and the key points are set out below.
- 2.10 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.
- 2.11 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 Policy Advisory 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.
  - c) Schemes will be evaluated against Environmental, Social and Governance objectives, within the overall Strategic Plan priorities. Schemes where this might be relevant would include those which offer:
    - Greater environmental sustainability
    - Local community benefits
    - Implementation of ethical sourcing practices.

- 2.12 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.
- 2.13 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 Cabinet, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.
- 2.14 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.
- 2.15 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 Cabinet;
  - 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 and Funding Guarantee for capital purposes 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.
- 2.16 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 Cabinet then recommends the capital programme which is then presented to Council in February each year.

2.17 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**

2.18 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).

2.19 The Council currently has external borrowing of £5 million, representing Public Works Loan Board borrowing plus we have also committed to borrow £80 million in advance over the period 2024 to 2026 at an affordable rate. With internal resources expected to be fully utilised in future, the Council will look to increase external borrowing to a maximum of £359.9m over the 10-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.

2.20 The Council has hitherto used the New Homes Bonus to fund capital expenditure. The allocation for 2024/25 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 2023.

2.21 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 from Homes England to support the Affordable Housing Programme.

2.22 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL).

2.23 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 2024/25 to 2033/34 (excluding external borrowing) as £84.6m.

### **Capital Programme Proposals**

2.24 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.

2.25 Appendix 3 to this report sets out the recommended programme for schemes which were programmed for 2024/25 – 2028/29 within 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.

*Planning, Infrastructure Economic Development*

2.26 Public Realm & Greening relating to the Town Centre - £1.0 million

Public realm and greening plans reflect work to be funded by UKSPF and associated works in the Town Centre.

2.27 Medway Street Car Park - £195,000

This budget will allow the two existing parts of this car park to be merged, which will require extensive works for ramps, new surfaces and lighting.

*Housing, Health & Environment*

2.28 The Housing Programme comprises a mix of Affordable Homes, Private Rented Sector, and Temporary Accommodation. As projects develop in the later years of the 10 year programme we will get greater clarity on the mix of different tenures.

2.29 1,000 Homes Affordable Housing Programme - £155.7 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. 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 excludes any grant receipts from the likes of Homes England that will be necessary to deliver the programme. Assumptions have been made around the level of funding that could be received and this is dealt with in the funding section of this report. During 2023/24 a number of sites were identified and they are schemes that are now being actively developed.

2.30 Private Rented Sector Housing Programme - £99.8 million

This encompasses a number of schemes that are in the process of being identified and brought forward. This covers projects such as Maidstone East and Springfield library, 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. 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.

Note that no PRS housing is shown in years 7-10 of the capital programme. This is not intended to indicate that the Council will move away from promoting a mix of tenures in future, rather that there have been no specific schemes with a PRS component identified in those years.

### 2.31 Temporary Accommodation - £20.0 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 2024/25 to help deal with the rising numbers of people who are being made homeless because of the current economic crisis.

### 2.32 Commercial and Community Developments £3.8m

The New Business and Housing Development team are in the process of preparing and submitting a planning application for the sites including Maidstone East, St Faiths Community Centre and Heather House Community Centre

### 2.33 Disabled Facilities Grants - £8.0 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.

### 2.34 Street Scene Investment - £500,000

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

### 2.35 Flood Action Plan - £350,000

The flood action plan budget was set up to allow the Council to deliver, or contribute towards, schemes that would mitigate flood risk. At this stage, the only schemes that have been identified have been small scale natural flood management schemes. Officers are discussing with counterparts in the Environment Agency, Kent County Council and the Upper Medway Internal Drainage Board what can be done to promote appropriate and practical schemes in the future.

### 2.36 Continued Improvements to Play Areas - £740,000

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

### 2.37 Parks Improvements - £1.1 million

This is an annual budget to allow for any works that are identified in the parks to be undertaken to improve the standard of the facilities for the public when they visit the parks.

### 2.38 Parks & Open Spaces Infrastructure Maintenance – £2.0 million

Ongoing investment in the infrastructure of the parks will enable the revenue budgets to remain focused on delivering the more regular

maintenance such as shrub bed pruning, grass cutting, weeding etc and on ensuring the parks are safe and functional for residents and visitors. Poor maintenance of the parks infrastructure will also impact on the parks revenue budgets due to insurance claims or having to close sections of pathway.

#### 2.39 Grounds Maintenance Machinery Replacement Programme – £855,000

This is a new budget to enable the regular replacement of grounds maintenance equipment when it is no longer adequate for purpose.

#### 2.40 Waste Crime Team Additional Resources - £40,000

This budget will allow the team to invest in new technology to assist in the investigation, detection and prosecution of offenders.

#### 2.41 Section 106 Funded Works Open Spaces – £4.0 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.

#### 2.42 Improvements to the Cemetery - £120,000

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.

#### 2.43 Purchase of New Waste Collection Vehicles - £6.3 million

Funding is allocated within the Capital Programme for the purchase of the waste collection fleet that forms part of the new contract for Refuse Collection due to commence in March 2024. Replacement of the fleet is envisaged seven years later when the fleet acquired in March 2024 has reached the end of its useful life.

### *Communities, Leisure & Arts*

#### 2.44 Museum Development Plan - £180,000

The Maidstone Museums Forward Plan 2022-27 was presented to this Committee's predecessor Committee in July 2022. The Forward Plan set out an ambitious programme, inspired by a mission to inspire, educate and challenge its visitors and users through the use of its collections, staff and buildings. A first step in delivering this plan was a new archaeology gallery, due to open in early Summer. Nearly £700,000, including contributions from external funders, will have been invested in this gallery and this forms part of the existing capital programme.

The immediate next steps in the Development Plan are as follows.

#### *Upgrading Local History Gallery*

It is planned to improve the Local History Gallery, which adjoins the new archaeology gallery, to make it more attractive and consistent in standard with the new gallery. A proposal is being developed to an external funder to carry out this work, which is expected to cost £100,000.

#### *Accessibility*

It is part of the museum's mission to ensure that its collections are available to all. It is therefore proposed to install a flexi-step and ramp for more inclusive access to the natural history and dinosaur galleries, at an estimated cost of £80,000.

#### 2.45 Existing Leisure Centre – Capital Improvements £2.25 million

This Committee considered proposals for minor capital improvements to the Leisure Centre at its meeting on 7 February 2023. The purpose was to reduce costs and generate increased revenue over the likely extension period of the existing contract. This was agreed by Cabinet and built into the capital programme for 2023/24. As this work has been dependent on decisions about extension of the contract, it has not started as yet and the majority of the expenditure is now likely to slip to 2024/25.

#### 2.46 New Leisure Centre - £60.0 million

The Council is committed to providing leisure services that are accessible to all the borough's residents. This follows from the Council's strategic priorities, and in particular the cross-cutting priority of addressing and reducing health inequalities.

The existing Mote Park Leisure Centre is over 50 years old. It is becoming increasingly expensive to maintain and detracts from the Council's net zero carbon emissions objective. Modelling presented to this Committee's predecessor in February 2023 indicated that the optimum time for a replacement, or at the very least a significantly refurbishment, would be towards the end of the extension period for the existing leisure contract (which is subject to a separate report on this agenda).

It was reported in February 2023 that projected capital costs for a new build leisure centre would be in the region of £40 million. A Passivhaus centre or more sophisticated design would cost in excess of £50m. Owing to the complexity of a major refurbishment, the capital costs arising would be at least £35 million, ie not significantly less than the cost of a complete replacement.

It is proposed to make provision in the capital programme for £60 million, which would offer the opportunity to build a new leisure centre commensurate with the Council's ambitions, given current prices. Expenditure is profiled over the next six years, with some initial investment in design and feasibility in 2024/25 and a build programme extending over the three years 2027/28 to 2028/29.

All opportunities to source external funding to mitigate the cost to the Council will be explored. At this stage the proportion to be externally funded cannot

be estimated, so the figure of £60 million represents the gross cost of a new leisure centre.

#### 2.47 Mote Park Kiosk Refurbishment & Extension - £250,000

£200,000 was included for this project in the existing capital programme for 2023/24. The intention was to provide clean and safe facilities to replace the existing toilet block on the northern side of Mote Park Lake, to complement the new café facility on the opposite side. This work has not yet commenced so will slip to 2024/25.

#### *Corporate Services*

#### 2.48 Asset Management / Corporate Property - £3.27 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.

#### 2.49 Corporate Property Acquisitions - £25.0 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.

#### 2.50 Kent Medical Campus Innovation Centre - £350,000

This budget will provide funding for a wet lab and the purchase of new research and development equipment to continue to make the centre attractive for prospective tenants. Further funding is also required for road infrastructure improvements adjacent to the centre.

#### 2.51 Lockmeadow ongoing investment - £1.0 million

Given the current economic environment and vacant units 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.

## 2.52 Garden Community - £1.982 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, which has recently undergone consultations on Main Modifications with adoption programmed to take place in early 2024. Both partners are sharing the promotional and planning costs 50:50. Upto the end of 23/24 they are expected to total circa £3m. A further £4m of shared expenditure to achieve the outline planning permission with work on that starting in 2024/25. The £2m in the capital programme reflects these potential costs.

## 2.53 Infrastructure Delivery - £10.0 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.

## 2.54 Other Property Works - £1.0 million

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.

## 2.55 Carbon Reduction to Maidstone B.C. Estate - £14.867 million

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

## 2.56 Parkwood Property Investment to meet EPC targets - £1.225m

This budget is for the removal of concrete asbestos roofs and their replacement with lighter insulated metal roofs offers the opportunity for tenants to reduce their energy bills. In addition, it facilitates the installation of solar panels on the roofs (not previously possible due to load restrictions on the asbestos roofs).

## 2.57 Feasibility Studies - £500,000

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.

#### 2.58 Digital Projects - £300,000

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.

#### 2.59 Software/PC Replacement - £2.0 million

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

#### 2.60 Maidstone House Works - £800,000

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.

#### 2.61 Leeds Langley preliminary costs- £1.m

The costs relate to the potential contribution of cost towards development/construction costs of Leeds Langley road /site. In order to achieve this infrastructure, forward funding is required to help pump prime the project and assist with preliminary work.

#### 2.62 Fleet Vehicle Replacement Programme – £3.248 million

This programme allows the Council's vehicle fleet (excluding electric vehicles which are currently included in the Decarbonisation of the MBC Estate) to be kept up to date and operating costs to be kept to a minimum. Funding includes capital receipts from the sale of vehicles when they reach the end of their useful life.

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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 Cabinet and then submitted to Council.
  - 3.2 Recommend the capital programme as presented for approval by the Cabinet 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 Cabinet.
  - 3.4 Defer a decision on the proposals to this Committee's meeting on 5<sup>th</sup> February 2024 where it can be considered along with the final revenue budget proposals.
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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 Cabinet. Whilst a final decision is not required until Council sets a budget on 21 February 2024, 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 £433.8 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 12 July 2023. It was then consulted on the revenue budget proposals at its meeting on 11 September 2023 and on fees and charges and the budget consultation at its meeting on 13 December 2023. This consultation 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. The other PACs and Overview and Scrutiny are considering the budget proposals relating to capital schemes within their portfolios during January 2024.
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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>
24 January 2024	Cabinet	Agree 24/25 Capital Programme
21 February 2024	Council	Approve 24/25 budget proposals for recommendation to Council

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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 2023/24 to 2027/28
- Appendix 2: Estimated Capital Resources 2024/25 to 2033/34
- Appendix 3: Proposed Capital Programme 2024/25 to 2033/34

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## **9. BACKGROUND PAPERS**

There are no background papers.