



# MTFP Capital Programme Budget Scrutiny Briefing

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*Report for information*



# MTFP Capital Programme 2022-2026

1. Capital Programme Development.
2. Schools Capital Programme.
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4. Capital Risks.

Appendix 1 – Bids unable to be funded.

Appendix 2 – Schemes funded through borrowing.

Appendix 3 – Government Capital Grants (Education and Transport).

Appendix 4 – Ringfenced Capital Grants (by Portfolio).

Appendix 5 – Revenue Contributions to Capital (Corporate).

Appendix 6 – Capital Receipts Assumptions (Confidential)

# 1. Capital Programme Development (1)

- The proposal for the 2022-23 to 2025-26 has been developed by taking the existing capital programme for the 2022-23 to 2024-25 financial years and reviewing and updating the capital funding assumptions in order to identify the headroom for additional capital expenditure.
- £48.5m of headroom was identified for additional capital spend.
- The priority order for new additions to the programme was:
  - (1) Extension of existing ongoing block programmes of maintenance and IT investment.
  - (2) Essential allocation to overspends on committed schemes.
  - (3) Schemes fully funded through earmarked resources.
  - (4) The balance is then available to fund capital bids that have been prioritised in line with the Capital & Investment Strategy prioritisation criteria. (See overleaf)

# 1. Capital Programme Development (2)

Below is a reminder of the capital prioritisation criteria as set out in the Capital & Investment Strategy:

- a) Statutory requirement (e.g. H&S, school places, disabled facilities, waste collection, household waste recycling centres, statutory reporting – but only to the extent that is statutorily required).
- b) Ringfenced funding has been identified (i.e. s106 or genuinely ringfenced government grants), the scheme is fully funded, **and** aligns with corporate priorities.
- c) Strong financial business case resulting in savings paying back the cost of investment within 7 years or less or a capital receipt is generated in excess of the investment assisting with COVID recovery and financial sustainability.
- d) Maintains the life and/or quality of our assets.
- e) The scheme leverages ringfenced external funding (i.e. s106 or genuinely ringfenced government grants), the scheme is at least 50% funded **and** aligns with corporate priorities.
- f) In line with corporate and directorate priorities as set out in the Capital and Investment Strategy and the Buckinghamshire Strategic Infrastructure Tool.
- g) Provides a geographic balance to the consistency of service provision across the Council area.

# 1. Capital Programme Development (3)

- The development of the capital programme has been considered by the Corporate Capital Investment Board before recommendations made to Cabinet.
- Cabinet was keen that all priority (a) bids could be accepted, including the Buckingham Household Recycling Centre, which was originally unable to be funded from the available capital headroom. The HRC has been included with funding through borrowing. The borrowing costs are included in the proposed Revenue Budget.
- In addition, the Electric Vehicle Charging Point scheme has been included in the programme from the available capital headroom. This was a priority (e) scheme according to the capital prioritisation criteria, but is recognised as an important capital investment priority.

# 1. Capital Programme Development (4)

- There were some schemes that were put forward that are subject to a detailed business case before inclusion in the capital programme. These will come forward to Cabinet, when they are ready, as a bid against the £100m prudential borrowing facility if the business case shows schemes are financially viable.
- Unfortunately, there was insufficient headroom to support any schemes in category (d) or lower and these are shown in Appendix 1.

## 2. Schools Capital Programme

- The Schools Capital Programme is developed to ensure that it fulfils the Council's statutory duty to provide sufficient school places for all compulsory age ranges and educational needs.
- It is funded from available schools funding, which is primarily made up of Basic Need funding for school places, s106 funding, Homes England Housing Infrastructure Fund (HIF) forward funding, School Condition Funding, SEN Grant and £750k p.a. of CIL.
- The proposals take into account projected pupil numbers across the county based on expected birth rates, housing development and migration. Projections are monitored and reviewed continually and the programme reprofiled to align with housing development etc
- Priorities for the delivery of additional places for pupils with SEND are driven by the SEND Sufficiency Strategy which has recently been consulted on, and includes projected numbers of pupils with Education Health and Care Plans. The proposals included in the programme for SEND will enable completion of phase 1 of the Sufficiency Strategy.
- Funding is expected to be available from increased government grant for SEND places announced by the Chancellor in the autumn budget.
- Proposals for the next phases of the sufficiency strategy are still subject to funding and are not included in the proposed 4 year programme. Proposals will include additional specialist places within the county and funding options may include an application to the next DfE Free School bidding round.
- Schools extension/maintenance works will improve the school estate and ensure that schools are able to function and remain open as safe environments for young people.

### 3. New Systems

- Originally there was £7m in the Capital Programme for the replacement of SAP.
- This programme allocation has been removed and instead £7m of New Homes Bonus RCCR is going to be set aside in an earmarked revenue reserve to meet either the capital costs of a new ERP system or the revenue implementation costs of a cloud based solution.
- The creation of the earmarked reserve provides the ultimate flexibility and enables to Council to select the optimum solution regardless of whether the solution is revenue or capital. The reserve will be used as a revenue contribution to capital if a capital solution is chosen.



## 4. Capital Risks

- **Cost Inflation** – Increased costs compared to estimated costs.
- **Capital Maintenance** – If expenditure insufficient to maintain the life of our assets, then our assets will deteriorate.
- **Capital Receipts** – A shortfall in the generation of capital receipts would impact on the investment in the capital programme.
- **Interest Rate Increases** –won't necessarily affect the Capital Programme, but it could affect marginally viable schemes that are bidding for prudential borrowing.
- **Capital Slippage** – If capital expenditure isn't profiled as accurately as possible, there is a risk of substantial underspend on the Programme through slippage.
- **Government Capital Grants** – Although the grant funding assumptions in the capital programme are prudent and realistic, there is the risk that the Government's Levelling Up agenda could reduce the level of capital grant funding that the Council receives as future allocations may favour authorities outside of the South East.