

Review of the Corporate Capital Programme 2018/19.

Summary

To report on the capital outturn for 2018/19 and to approve any carry forward of budgets into the 2019/20 Capital Programme and revised prudential indicators for 2019/20 to 2021/22.

Portfolio - Finance

Date signed off : 6 June 2019

Wards affected – n/a

Recommendation

The Executive is advised to **RECOMMEND** to Full Council that

- (i) the carry forward budget provision of £36,026,300 from 2018/19 into 2019/20 be approved;
- (ii) the revised 2019/20 Capital Programme of £38,374,300 be noted.
- (iii) an increased operational boundary and authorised borrowing limits following the decision to build a replacement leisure centre of £245m and £250m be approved;
- (iv) a revised set of Prudential Indicator's for 2019/20 to 2021/22 be approved.

Prudential Indicator	2019/20 Estimated £m	2020/21 Estimated £m	2021/22 Estimated £m
Capital Expenditure	38.4	0.64	0.6
Capital Financing Requirement	225	221	217
Ratio of net financing costs to net revenue stream	23.2%	36.7%	34.2%
Financing Costs	2.52	4.12	3.90
Operational Boundary	245	245	245
Authorised Limit	250	250	250

The Executive is also advised to note that the Capital Financing Requirement for this Council as at 31 March 2020 is estimated to be £225m and as such a Minimum Revenue Payment of £2.5m is required.

1. Resource Implications

- 1.1 The Prudential Code for Capital Finance in Local Authorities requires that actual capital expenditure during the year is reported to members. For 2018/19 this was £52.131 million.
- 1.2 The budget impact of these schemes was considered and approved when the schemes were incorporated into the capital programme.
- 1.3 If the recommendation is approved, the loss of investment interest on the £ 36 m carry forward sum at current rates would be £340k per annum.
- 1.4 The Capital Reserves available for capital expenditure amounted to £4 m at 31st March 2019. An additional £ 11 m is held in the revenue capital fund, which could be used to support capital expenditure, as well as supporting revenue expenditure in the future. Some of the expenditure is also funded by grant and external contributions
- 1.5 The Council will borrow to acquire assets, to assist with economic development and regeneration, provided that the assets generate a return adequate to service the loan and any Minimum Revenue Payment.

2. Key Issues

- 2.1 The schemes detailed in Annex A reflect a number of larger projects agreed by the Council throughout the year and Annex B sets out the reasons for the carry forwards. Annex C sets out the revised Prudential Indicator's.

3. Options

- 3.1 The Executive, where no contractual commitments are identified, has the option of agreeing all of these carry forwards, amending them or rejecting them.

4. Proposals

- 4.1 It is proposed that Executive RECOMMENDS to Full Council that
 - (i) the carry forward budget provision of £36,026,300 from 2018/19 into 2019/20 be approved;
 - (ii) the revised 2019/20 Capital Programme of £38,374,300 be noted;
 - (iii) Approve increased operational boundary and authorised borrowing limits following the decision to build a replacement leisure centre of £245m and £250m.

- (iv) Approve a revised set of Prudential Indicators summarised below and explained in Annex C for 2019/20 to 2021/22 in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities.

Prudential Indicator	2019/20 Estimated £m	2020/21 Estimated £m	2021/22 Estimated £m
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5. Corporate Objectives and Key Priorities

5.1 Corporate Objective – Providing services better, faster and cheaper.

Annexes	Annex A – Monitoring statement. Annex B – Background notes on carried forward capital schemes
Background papers	None
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Head of service	Kelvin Menon – Executive Head of Finance

Background notes on carry forward Capital Schemes

Capital Scheme	Purpose	Reason for carry forward
Property Acquisition Strategy	To acquire property in accordance with the property acquisition strategy	Council is seeking to acquire further property in 2019/20
The Square Refurbishment	Refurbishment of the Square shopping Centre.	Work started and to be completed in 2019/20
High Street public realm improvements.	To deliver an improved Camberley town Centre.	Work started and to be completed over the next two years.
London Road Block	Regeneration of the London Road area of Camberley town Centre.	To purchase additional properties during 2019/20.
The Theta building	Refurbishment works are required to be carried out on parts of the building.	Refurbishment works to take place during 2019/20.
Main Square Car Park	Multi Storey car park refurbishment.	Work started and to be completed in 2019/20
Planning Infrastructure contributions capital schemes	Upgrading play equipment and community facilities	Works to be commenced in year
Camberley Park	Renovation of obelisk	Delayed to 19/20 due to bird nesting season.
Whitmoor Road	Recreation ground improvements	Works scheduled for completion during 2019/20.
Lightwater visitors centre	Café and education centre	Further upgrade required to the visitors centre that are to be completed in 2019/20
Watchmoor Rec	Recreation ground improvements	Considering options and work is due to commence during 2019/20
Loman Road Play Area	Playground Improvements	Work to commence during 2019/20.
Watchetts Rec	Playground Improvements	Work to commence during 2019/20.
Deanside Wood Play area	Playground Improvements	Works are scheduled for completion during 2019/20.
London Road Rec	Recreation ground improvements.	Works are scheduled for completion during early 2019/20.
Frimley Lodge play	Playground	Works are scheduled for

Annex B

area	Improvements	completion in 2019/20
Maguire Drive	Playground Improvements	Works are scheduled for completion in 2019/20.
Camberley Theatre	Improvements and refurbishment of the Theatre.	Retention element of the project to be paid in the 2 nd Qtr. of 2019/20.
Agile Working	To allow work to be completed outside of the office environment.	Purpose of further equipment to support the 8 X 8 telephone system roll out.
Renovation grants	Discretionary grants and financial assistance for the renovation and maintenance of properties.	Works committed to and will be completed in 2019/20.
SANGS capital works	Upgrade to land purchased to make it in to a SANGS	Some works done in 2018/19 and more being completed in 2019/20

CAPITAL EXPENDITURE AND PRUDENTIAL INDICATORS 2019/20

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the earlier part of this report.

Capital Expenditure and Financing	2018/19 Actual £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
Capital Programme	52,132	38,374	640	600
Total Expenditure	52,132	38,374	640	600
Capital Receipts	827	50	40	0
Government Grants	1,116	1,300	600	600
Reserves	1,200	100	0	0
Revenue	94	0	0	0
Borrowing	48,895	36,924	0	0
Total Financing	52,132	38,374	640	600

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Estimate £m	31.03.22 Estimate £m
Total CFR	190	225	223	221

Appendix C

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Estimate £m	31.03.22 Estimate £m
Borrowing	185	190	206	210
Finance leases	0	0	0	0
Total Debt	185	190	206	210

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	185	245	245	245
Other long-term liabilities	0	0	0	0
Total Debt	185	245	245	245

Appendix C

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	190	250	250	250
Other long-term liabilities	0	0	0	0
Total Debt	190	250	250	250

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
General Fund	6.58	23.2	36.7	34.2

Financing costs of Capital Investment Decisions: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure.

Financing Costs	2019/20 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M
General Fund (£M)	2.52	4.12	3.90