

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet	
DATE OF DECISION	14 February 2024	
REPORT TITLE:	Capital Programme and Capital Strategy 2023-29	
CORPORATE DIRECTOR	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
DECISION TAKER:	Executive Mayor in Cabinet	
KEY DECISION?	Yes	<p style="text-align: right;">REASON:</p> <p style="text-align: center;">Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</p> <p style="text-align: right;">and</p> <p style="text-align: center;">Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards</p>
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** This report sets out the updated Capital Programme for 2023-29 for the Council’s General Fund and the Housing Revenue Account (HRA) with a forecast of resources available over that period. A specific update of the 2023-24 programme including the forecast as at Period 8 is also provided.
- 1.2** The Capital Programme sets out the strategic direction for Croydon’s capital management and investment plans, as detailed in Appendix A, and is an integral part of the medium to long term financial and service planning and budget setting process. Capital investment impacts the prudential indicators which are required under the 2020 Prudential Code and they are included in the Treasury Management Strategy report to Cabinet, also presented at this meeting today.

- 1.3** The Council's historic legacy of service failings, poor financial management, weak decision making and poor governance of major investments resulted in a debt burden that cannot be sustained without government support. The most recently available financial sustainability indicators for 2021-22 Outturn, provided by the Office for Local Government (OFLOG), demonstrate that Croydon's debt servicing cost (16% of core spending power), is far higher than the median figure for both England (8%) and the Council's nearest statistical neighbours (9%).
- 1.4** Given the Council's financial challenges, every effort has been made to minimise the requirement for additional General Fund borrowing. The General Fund capital programme does not require any financing through borrowing for 2023-24 or 2024-25. The need for borrowing in 2025-26 onwards is driven by the assumed requirement for annual capitalisation directions to achieve a balanced General Fund revenue position. This is unsustainable in the longer term and the Council is working with the Improvement and Assurance Panel and the Department for Levelling Up, Housing and Communities (DLUHC) to resolve this position.

2 RECOMMENDATIONS

For the reasons set out in the report and its appendices, the Executive Mayor in Cabinet is recommended to approve and to recommend the following to Full Council:

- 2.1** Approve the Council's 2023-29 General Fund Capital Programme which includes planned expenditure of £479.68m (including capitalisation directions) across the six years.
- 2.2** Approve the Council incurring nil General Fund borrowing for financial years 2023-24 and 2024-25 and borrowing of £164.67m over 2025-29. The cost of this future borrowing is factored into the Council's Medium Term Financial Strategy.
- 2.3** Approve the 2024-25 Housing Revenue Account (HRA) Capital Programme with investment planned of £57.24m with borrowing of nil.
- 2.4** Approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, owing to increased major repairs and improvements, with this £3.914m increase funded by HRA reserves.
- 2.5** Approve the Council's Capital Strategy, as detailed within Appendix A of this report.

- 2.6** Note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of indebtedness to ensure it can deliver sustainable local government services.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The Executive Mayor in Cabinet and Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m and above requires Cabinet approval for capital spend under the Council's Scheme of Delegation.

4 BACKGROUND AND DETAILS

- 4.1** The General Fund Capital Programme has spent £164.24m in the two years 2021-23 (including £100.6m for Capitalisation Direction) of which over £20.67m has required borrowing to finance the spend.

- 4.2** The Council's key objectives are set out in the Mayor's Business Plan 2022-26 which can be found on the Council's website under the following link:

<https://democracy.croydon.gov.uk/documents/s41649/6a%20Appendix%20-%20Executive%20Mayors%20Business%20Plan%20FINAL.pdf>

These key objectives comprise:

1. The council balances its books, listens to residents, and delivers good, sustainable services.
 2. Croydon is a place of opportunity for business, earning and learning.
 3. Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.
 4. Croydon is a cleaner, safer, and healthier place, a borough we're proud to call home.
 5. People can lead healthier and independent lives for longer.
- 4.3** Capital investment should evidence how it will support the priorities and principles set out in the Mayor's Business Plan along with individual directorate service plans. New bids to the Capital Programme have been assessed against the Council's objectives and the other Capital Strategy drivers outlined within Appendix A as part of the Capital budget setting process.

Capital Governance Arrangements

- 4.4** The Council has an established governance arrangement embedded within its current Constitution in Part 4C - Budget and Policy Framework Procedure Rules. The Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework.
- 4.5** Just in the same manner as for the Revenue Budget, the Capital Budgets under Part 4C require Full Council approval. Part 4H – Financial Regulations provide the governance framework for managing the Council’s financial affairs. They apply to all Members, Officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.
- 4.6** The Regulations apply to capital budgets and the Chief Financial Officer is responsible for ensuring that a capital programme is set annually along with financial management process to enable capital budgets to be monitored effectively. The Council has reported the 2023-24 capital programme as part of the monthly Financial Performance reports to Cabinet.
- 4.7** To strengthen the scrutiny and review of Capital delivery and progress against budget, the Council established a Capital Internal Control Board (CICB) which meets monthly and consists of key Officers from across the expert areas and services. The CICB acts as an internal control system and is a key part of the improvements that have been made to capital management within the Council.
- 4.8** The CICB provides the added review and scrutiny role on delivery of the capital programme along with submission of new bids. The Board acts as a key gateway to support the Corporate Management Team and the Executive Mayor in making informed decisions whilst ensuring risks are identified and managed.

Capital Spend Key Principles

- 4.9** Consideration should be given to the following key principles before submitting a capital bid:
- Spend included in business cases must conform to the definition of capital expenditure i.e., “the purchase or enhancement of assets where the benefits last longer than the year of expenditure”. Croydon applies a de-minimis level of £10k meaning that anything below this value individually is classed and treated as revenue.

- Given the Council's structural indebtedness and challenging financial position, projects coming forward that require Croydon to borrow funding should be kept to a bare minimum.
- Feasibility/planning costs must be met from a revenue budget until approval to spend has been agreed through the relevant route, these should therefore be built into the revenue budget and be considered as part of the budget build process.
- Ongoing revenue implications must be included within business cases and identified as pressures in the revenue budget.
- Realistic profiling of budgets must be provided from the outset. Without this, the limited funding available could be assigned to a project which is delayed, preventing an alternative but more viable project from proceeding. In many cases grants and external funding are time limited and delays in the project could lead to losing precious external funds.
- Where the Council is required to provide match funding in order to receive external funding, consideration must be given to the Council's objectives. Is the project sufficiently aligned to meeting the Council's strategic outcomes to warrant the match funding? Has the Council identified sufficient resources to match fund these projects? Consideration must also be given to grant or external funding conditions and officer time and cost it will take to comply.
- It is important to maximise use of existing assets where it is cost effective to do so. Look for full occupancy of the asset in terms of space and length of time the asset is in use. This could mean looking for synergies with other organisations (for example, the One Public Estate programme with key partners).
- Longevity/flexibility of asset – consider how the asset will conform with longer term service delivery plans. Has flexibility of the use of the asset been considered?
- Officers and Members must not commit funds until projects have been through the correct governance procedure.
- Robust financial, legal, HR, equalities and other related impact assessments are needed for the Council's investment decisions.
- All schemes must pass through the Capital Board for necessary scrutiny

and approval to the next stage. This ensures each project receives a review to assess wider Council implications and to test all relevant matters are discussed and best practice is shared.

Capital Expenditure

- 4.10** The Council will ensure that appropriate capital budget is allocated on a risk assessed approach, to meet statutory requirements, such as basic need, health and safety, disability discrimination act (DDA) and other legal requirements as directed by Government. Nonetheless, just because there is a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. This will need to include proactively seeking external funding, such as grants or alternative contributions to finance capital spend.
- 4.11** Slippage from 2022-23 into 2023-24 has been reviewed and approved by the Executive Mayor in Cabinet through monthly financial performance reports to Cabinet. The review ensured that the Council only carries out schemes that are value for money and meet the Council's priorities in line with the Mayor's Business Plan.
- 4.12** The Council is projecting to spend £106.33m in 2023-24 and is expecting to spend £355.73m in 2024-29. The table below provides a summary level breakdown of spend per directorate with scheme detail provided in Appendix B of this report. Services have reviewed the profiling of their capital projects across 2023-24 and future years and this is reflected in the table below and Appendix B.

Table showing General Fund capital programme estimates

Directorate	2023-24 Budget	Forecast	Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's
ASSISTANT CHIEF EXECUTIVE	6,051	5,331	(720)		5,311	33			
CHILDREN, YOUNG PEOPLE AND EDUCATION	469	329	(140)		95				
HOUSING	3,400	3,200	(200)		3,335	3,335	3,335	3,335	3,335
RESOURCES	11,667	10,610	(1,057)		12,719	10,037	5,564	3,000	3,000
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	39,366	23,855	(15,511)		30,865	20,759	20,160	18,716	18,791
CORPORATE	63,000	63,000	0		38,000	38,000	38,000	38,000	38,000
Total General Fund Capital Programme	123,953	106,325	(17,628)		90,325	72,164	67,059	63,051	63,126

Please note that the Education capital delivery team has moved into the Commercial Investment and Capital Division in the Resources Directorate, so the Education capital schemes are now shown in Resources rather than the Children, Young People and Education Directorate.

4.13 Capitalisation directions contribute significantly to the Capital Programme. These have been included as assumptions in the Medium Term Financial Strategy in case dialogue with DLUHC does not result in a sustainable financial solution to the historic legacy debt issues of the Council. However, it needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years and is not a solution that would support the Council in becoming financially sustainable. The table above includes previously approved projects along with new bids requested by directorates for current and future years.

4.14 The Capital Programme focuses on spend that ensures the Council's assets are maintained to decent standards in order that they continue to perform in the delivery of Council services to residents.

- 4.15** A Parks condition survey will be commissioned in 2024-25. Growth above the current capital budget of £1m per annum for Park Asset Management may be required to meet health and safety requirements. Financing for any growth would be sought first from s106 or CIL before consideration of borrowing.
- 4.16** Croydon Council has been successful in securing £18.5m government funding to transform the town centre and restore pride following a successful bid to the Levelling Up Fund, under round three. The council applied to the Department for Levelling Up, Housing and Communities (DLUHC) for the Reconnecting Croydon scheme, which will see six infrastructure and public realm projects funded to reconnect and revitalise Croydon's streetscape.
- 4.17** The vision for the project is to 'Reconnect, Refresh, Revitalise and Regenerate' the town centre, as part of the Council's priority for the wider regeneration of Croydon town centre. The projects will provide improved connections throughout the town centre, so residents and visitors will be able to travel more easily through safer, greener and more pleasant routes. The projects will cover the South End restaurant quarter, East Croydon station, West Croydon station and Old Town and Croydon Minster. Central to the bid is the delivery of a new civic square for the Fairfield cultural complex, connecting Queen's Gardens and Surrey Street Market.
- 4.18** Once clarification of the split of revenue and capital grant allocations within the new funding, and profiling between years of expected spend, is available then this multi-year project will be added into the capital programme during 2024-25. Please note that this project will be fully funded by the grant monies and therefore will have no impact on the borrowing for the capital programme.
- 4.19** The Council has been successful in gaining £305k funding from the Lottery Fund for capital improvements at Ashburton Park. Therefore the Ashburton Park Heritage Fund project has been added into the capital programme in 2023-24.
- 4.20** The Council has also received £235k funding over 2023-25 from the Department for Education (DfE) for Woodlands Family Hub and this has been added into the capital programme.
- 4.21** Within the Capital Programme the Council is also committing significant monies towards investing in various information technology and property assets so that it leads to an improved service provision whilst ensuring a more cost-effective delivery of services. The Council is carrying out a review of the Oracle MyResources IT system utilising transformation funding and it should be noted that this is not currently in the programme but a proposal for

inclusion in the capital programme will come forward once the due diligence is completed identifying what is required.

- 4.22** The Council may need to contribute towards improvements for mortuary services in the borough. This could include contributing towards a new building. Croydon public mortuary is used for the reception and storage of bodies of those who have died in the borough. The service is run under the jurisdiction of HM Coroner and deals with bodies that have been referred to the coroner or where a death certificate cannot be issued. The service is currently provided by Croydon University Hospital under a shared service but improvements are required.
- 4.23** The Council's ambition to protect educational infrastructure and improve pupil attainment to support the local economy form a large proportion of the capital programme. A total of £23.84m over 5 years is provided for upgrading and expanding schools' infrastructure. This includes the vital investment in Special Education Need schools to ensure children and their parents have Council support, a key pledge within the Mayor's Business Plan.
- 4.24** A total of £77.50m over 5 years is earmarked to be spent on the Borough's infrastructure ranging from highway maintenance to tree works and working with TfL to deliver the Local Implementation Plan. This investment is important to support the ambition of Croydon becoming a cleaner, safer and healthier place.
- 4.25** In January, the Council was notified that the Department for Transport (DfT) will provide circa £382k funding for highways. This will be added into the capital programme during 2024-25.
- 4.26** The Lawn Tennis Association (LTA) is granting funding of circa £500k to supplement the current £75k in the capital programme to support tennis court improvements. This will be added into the capital programme following the confirmation of profiling across 2023-24 and future years.
- 4.27** The General Fund capital programme includes the addition of £163k in 2023-24 and £380k in 2024-25 for the Public Switched Telephone Network Digital Migration Phase 1 project responding to the national analogue to digital telephone network switchover. By 2025, Openreach will have phased out all copper analogue telephone lines in favour of optical fibre networks and therefore, phone lines in buildings need to be updated. This phase 1 work will identify the full level of works involved and further General Fund capital budget is likely to be required.
- 4.28** Similarly the phase 1 work will identify the requirement for the HRA capital programme, with a high level of works expected for digital migration of elevator alarms. As part of the Remote Alarm on Passenger and Goods

Passenger Lifts Standards EN 81-28 (2003), all lifts in the UK are required to have an emergency alarm that was traditionally connected to a rescue service via telephone. With the analogue to digital switchover, lift owners must now manage the transition of their emergency alarms from analogue phone lines to other digital alternatives.

Capitalisation Direction

- 4.29** The Council's Medium Term Financial Strategy includes the provision of capitalisation direction in future years from government to support the budget gap within the General Fund Revenue Account. This is included as an assumption while the Council continues dialogue with DLUHC to find a sustainable solution to resolve the prohibitive cost of borrowing relating to historic legacy debt.
- 4.30** Capitalisation direction allows local authorities to charge its revenue expenditure to the capital programme and hence pay for revenue costs using capital funds. Capital funds that can be applied include capital receipts and borrowing and it will be up to the Council to identify the best financing source at year end.
- 4.31** The capitalisation direction is a relaxation of the accounting convention that usually requires revenue costs to be met from revenue resources only. Councils should not usually "borrow" or use capital funds to fund revenue expenditure. This does mean that if the Council chooses to borrow to fund its direction, relevant interest costs will be charged to the Council's revenue account along with additional minimum revenue provision charges which will need to be set aside from revenue to pay back the principal repayments for the borrowing. Therefore, capitalisation direction is not a financially sustainable solution for the Council's revenue budget as the cost of borrowing increases for future years.
- 4.32** Capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt (a situation of "treading water"). Therefore, debt write-off treatment is the Council's preferred option and a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options and provide detailed feedback and analysis. These discussions are ongoing.
- 4.33** There is a risk that if the Council has to continue with capitalisation directions that further reductions in the capital programme would need to be considered. The capital programme has already been significantly reduced over the last two years through detailed value for money review of projects and further reductions to investment in necessary infrastructure could prevent the Council from meeting its Best Value duty. Borrowing for long term infrastructure (such as highways) is normal practice for local authorities

and reductions could create cost pressures in revenue budgets (e.g. reactive short-term repairs and maintenance, and legal claims) and result in the Council not meeting statutory requirements.

4.34 The Council has recently been required by an Adjudication Panel to make a payment to a former contractor in relation to a historic claim which dates back to a contract they held during the period 2011-2018. The Council must therefore request a new Capitalisation Direction of £9.439m for 2019-20 in order to finalise the 2019-20 accounts. This is in addition to last year's request for a Capitalisation Direction of £126m in relation to 2019-20.

4.35 Croydon has been supported by capitalisation directions to date as shown in the table below:

Financial Year	Status	Previously agreed Directions £000's	In-Principle Directions – secured Feb 2023 £000's	Potential need for further Capitalisation Directions £000's	Total Capitalisation Directions £000's
2019-20	Draft		126,000	9,439	135,439
2020-21	Draft	70,000	10,000		80,000
2021-22	Draft	50,000	14,400		64,400
2022-23	Draft	25,000	11,200		36,200
2023-24	Planned	5,000	58,000		63,000
2024-25	Potential			38,000	38,000
2025-26	Potential			38,000	38,000
2026-27	Potential			38,000	38,000
2027-28	Potential			38,000	38,000
2028-29	Potential			38,000	38,000
Total February 2024		150,000	219,600	199,439	569,039

Key:

- Draft indicates the agreed and in-principle Capitalisation Directions have been applied in full to the Council's draft accounts, but that the audit of the accounts has not yet concluded.
- Planned indicates the intention to use the in-principle Capitalisation Direction in year.
- Potential indicates the need for potential further borrowing in line with the comments in paragraph 4.13.

4.36 These directions have come with specific request from government which includes:

- Any further borrowing from the date of the capitalisation up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point

premium on the interest rate above the rate the loan would otherwise be subject to and;

- The Council shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years.

Capital Financing

4.37 The table below provides a summary of the key funding sources the Council expects to use to pay for the proposed General Fund capital programme.

Table showing capital financing of the General Fund capital programme

Funding Source	2023-24 Budget	2023-24 Forecast	2023-24 Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's
CIL	(7,152)	(7,734)	(582)		(8,290)	(7100)	(6,600)	(6,600)	(6,600)
s106	(1,431)	(371)	1,060		(1,084)	(312)	(326)		
HRA Contribution	(1,772)	(1,459)	313						
Reserves - Growth Zone	(15,341)	(3,000)	12,341		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Grant	(14,647)	(13,361)	1,286		(19,557)	(11,549)	(6,969)	(4,335)	(4,335)
Capital Receipts	(83,610)	(80,400)	3,210		(57,394)	(30,000)			
Borrowing	-	-	-		-	(19,203)	(49,164)	(48,116)	(48,191)
Total GF Capital Funding	(123,953)	(106,325)	17,628		(90,325)	(72,164)	(67,059)	(63,051)	(63,126)

4.38 The capital programme is required to have its own funding sources and revenue resources can be used to fund capital spend, even though capital funds cannot usually be used to fund revenue spend (except under capitalisation directions).

4.39 It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.

4.40 In order to minimise future borrowing requirements, the Council is exploring options to generate further capital receipts and an update on the Asset

Management and Disposal Plan was presented to Cabinet in November 2023 which detailed the delivery plan along with a range of assets the Council is proposing to dispose.

Debt Financing

- 4.41** Croydon currently has a borrowing requirement (CFR) of £1.372bn in the General Fund. This means that the Council is already considerably highly leveraged and the MTFS indicates that circa £60m is set aside to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the level of debt and further increase costs to the revenue account. The projected General Fund borrowing requirement between 2025 to 2029 of £164.67m represents approximately 11% of additional debt on top of the existing General Fund debt balance. This is a risk to the revenue account because of the cost of servicing the debt.
- 4.42** In order to assess and manage this risk, the Council is required to have due regard for the Prudential Code and ensure that the Council's debt levels and borrowing levels do not exceed its own prudential limits. The Code requires councils to formulate plans that are affordable, prudent and sustainable. The MTFS report has made it clear that current debt levels are not sustainable, and the Council has sought extraordinary financial support from Government to ensure the Council's finances are put on a sustainable footing for the future.

Housing Revenue Account Capital Programme

- 4.43** The Housing Revenue Account (HRA) continues to make improvements to housing stock management and the Council appointed Savills to carry out a detailed review of the capital programme to continue the necessary investment within the Housing Stock. Stock condition surveys have informed the HRA business plan and the HRA capital programme contained in this report has been updated accordingly.
- 4.44** The stock conditions surveys inform the current housing service's asset management strategy, transformation and improvement plans, and the long-term plan for the management of the investment of Council housing assets. The 2023-24 capital programme is overspending against the original capital plan owing to increased damp/mould and fire safety works, and dealing with the current backlog of repairs and maintenance work. It is requested through this report to approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, with this £3.914m increase funded by HRA reserves.

4.45 The table below shows the 2023-24 forecast and the updated allocations for future years which have been reviewed to ensure that sufficient financial resources are set aside to support the development of the asset management strategy aim to turn around and to provide a housing service the Council can be proud of, in line with the Mayor's Business Plan.

Table showing HRA capital programme estimates

HRA Capital Expenditure	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs and Improvements Programme	21,355	37,180	15,825	24,030	35,177	28,899	31,165	31,165
NEC Housing System	1,772	1,772	-					
Regina Road	1,500	-	(1,500)	14,105	14,105	14,105	14,105	14,105
Building Safety Works	3,735	-	(3,735)	10,500	40,300	20,000	8,515	
Repairs Referrals	8,800	-	(8,800)	8,600	7,500	7,500	7,500	7,500
Total HRA Capital Expenditure	37,162	38,952	1,790	57,235	97,082	70,504	61,285	52,770

4.46 The plan indicates a total investment of £338.9m between 2024-25 and 2028-29. The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works are planned on older buildings along with a whole new re-build of Regina Road Estate planned to commence as key engagement has already taken place with the residents.

4.47 The HRA has capacity within its account to take on more debt and through work done with Savills a sustainable financing solution is being developed by the housing service to meet the capital expenditure plans. The table below details the key funding sources the HRA has earmarked to apply to the delivery programme which includes a projection of £143.6m of new borrowing for 2025-29 which will be financed through HRA reserves and/or the revenue account.

Table showing capital financing of the HRA capital programme

HRA Capital Funding Source	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs Reserve	(15,457)	(15,457)	-	(14,729)	(15,094)	(15,394)	(15,699)	(16,011)
Revenue	(13,900)	(13,900)	-	(12,196)	(11,300)	(16,653)	(15,256)	
RTB Receipts	(2,118)	(2,118)	-	(2,140)	(2,166)	(2,187)	(2,136)	(2,101)
Reserves	(5,687)	(7,477)	(1,790)	(28,170)	(24,035)			
Borrowing					(44,487)	(36,270)	(28,194)	(34,658)
Total HRA Capital Financing	(37,162)	(38,952)	(1,790)	(57,235)	(97,082)	(70,504)	(61,285)	(52,770)

Next Steps and Ongoing Improvements

- 4.48** Over the course of 2022-23 significant issues with regards to capital were addressed. Oversight of the Capital Programme was brought into the corporate finance team where a holistic and council wide approach was provided and which enabled an improved approach to the way capital monitoring and budget setting was consolidated. This has allowed the Council to better profile its budgets over the life of the projects and to present a 5 years capital programme rather than a single year position.
- 4.49** The implementation of a Capital Internal Control Board in 2022 and the introduction of the post of Director of Commercial Investment and Capital has provided much needed structure and focus to managing delivery of the capital programme.
- 4.50** However, there is much more to be done and whilst key foundations have been set within the Council to manage the Capital Programme, there are a number of improvements still to implement. As indicated within the Capital Strategy (Appendix A) the Council has a number of key areas of improvement that continue to be addressed. The focus of the capital programme operational arrangements will be to ensure that whilst meeting the requirements as detailed within this report, the further recommendations advised by PwC are also delivered.
- 4.51** The Capital Internal Control Board is overseeing work to further improve capital governance arrangements and the preparation of business case templates in line with the Five Case Model. The Five Case Model is an approach for developing business cases recommended by HM Treasury and the UK Office of Government Commerce, and is widely used across central government departments and public sector organisations.

Contribution to Improvement and Assurance Panel (IAP) Exit Strategy

4.52 The IAP published its Exit Strategy in October 2023. Delivery of the Exit Strategy will provide confidence that the Council is able to drive its own continuous improvement and demonstrate Best Value without a need for external intervention by the Department for Levelling Up, Housing and Communities (DLUHC).

4.53 The Capital Programme and Strategy demonstrates the delivery of Best Value and supports the following objectives of the Exit Strategy:

- Operation of Governance Structures – the setting of the 2024-25 budget following timely and well-engaged process for deliberation.
- Council's finances on a sustainable footing – a balanced budget achieved for 2024-25 (with exceptional financial government support).
- Robust finance governance procedures are in place – progress against the Annual Governance Statement Action Plan.
- Maximise asset sales to reduce debt – delivery of asset disposal plan.
- To deliver best value in respect to community assets including Libraries/Community Hubs.
- Parking Policy Review – Roll out and installation of new ANPR cameras.
- Croydon's housing stock is rendered safe and compliant, meeting consumer and home standards.
- The Council understands its stock, condition and the residents who live there. It has robust data assembled and uses this to inform service delivery and maximise income.
- The Council develops and implements a Housing Regeneration and Supply Strategy.
- Put in place robust systems and sound procedures including the Oracle MyResources Improvement Project.
- Contract management arrangements to be improved.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 The development of the Capital Programme forms part of the Medium Term Financial Strategy (MTFS) for the Council. The 2024-25 budget engagement was carried out from 6 November to 19 December 2023.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1** The capital programme and capital strategy 2023-29 supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** Financial implications have been provided throughout this report. The Capital Programme is provided for within the Council's Medium Term Financial Strategy.
- 8.1.2** The Council has high costs of General Fund borrowing and therefore careful and prudent management of the capital budget is required to avoid unnecessary costs to the revenue account.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

8.2 LEGAL IMPLICATIONS

- 8.2.1** Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".
- 8.2.2** Under Section 3(1) and (8) of the LGA ("Duty to determine affordable borrowing limit") the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review must be discharged by full Council, rather than by the executive.
- 8.2.3** Sections 15 and 21 (1A) of the LGA requires the Council to have regard to any guidance issued by the Secretary of State and guidance about accounting practices to be followed in particular with respect to the charging of expenditure to a revenue account. Consequently, the Council is required to have regard to the "Statutory guidance on Local Government Investments (3rd Edition)" and the "Capital finance: guidance on minimum revenue provision (fourth edition)" issued under these provisions.
- 8.2.4** The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) make provisions for the capital finance and accounts under the LGA 2003. Regulation 2 requires the Council to have regard to the "Prudential Code for Capital Finance in Local Authorities" issued by CIPFA when determining, under section 3 of the LGA, how much money they can afford to borrow. Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, the Council must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" issued by CIPFA.

- 8.2.5** Regulations 25 and 26 provide for expenditure which is, and which is not, to be treated as capital expenditure for the purposes of the LGA 2003. Regulation 27 provides that local authorities must charge to a revenue account a minimum amount (“minimum revenue provision”) and may charge to a revenue account an additional amount, in respect of the financing of capital expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.
- 8.2.6** Under the Council’s Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the Council’s borrowing or capital requirement. The proposals in this report will therefore form part of proposals for submission to full Council.
- 8.2.7** Under the Council’s Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget, are prepared on an annual basis.
- 8.2.8** Under Directions dated 20 July 2023, issued by the Secretary of State under Section 15(5) of the Local Government Act 1999, the Council must, amongst other things “secure as soon as practicable that all the Authority’s functions are exercised in conformity with the best value duty, thereby delivering improvements in services and outcomes for the people of Croydon”.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 10/01/2024.

8.3 HUMAN RESOURCES IMPLICATIONS

- 8.3.1** There are no immediate Human Resources implications arising from this report.

Comment approved by: Dean Shoesmith, Chief People Officer, 5/1/2024.

8.4 EQUALITIES IMPLICATIONS

- 8.4.1** As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- 8.4.2** The Council must, therefore, ensure that we have considered any equality implications in respect of the capital programme and Strategy. The Council has an established Equality Impact Assessment process, with clear

guidance, templates and training for managers to use whenever new policies or service changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under the Equality Act 2010.

8.4.3 The objectives of the Mayor's Business Plan are focused on delivering good sustainable services and creating opportunities for all residents of Croydon including children and young people. The proposals in the capital programme are likely to impact on residents, the extent of which and the characteristics most affected can only be identified following further analysis once the proposals have been developed.

8.4.4 During the MTFs process, proposals which impact on people are subjected to equality analysis using a data driven approach and offer mitigation to people most affected.

8.4.5 We commit to ensuring that we meet our legal requirements under the Equality Act 2010 to our residents including disabled residents and the parents of disabled residents in respect of children and young people.

8.4.6 We have identified areas of improvement in relation to the collection of data across directorates and are committed to improving this to enable our decisions to be more evidence based and robust.

Comments approved by Naseer Ahmed for Equalities Programme Manager, 15/01/2024.

9. APPENDICES

Appendix A - Capital Strategy 2024-25

Appendix B - 2023-24 to 2028-29 Capital Programme

10. BACKGROUND DOCUMENTS

10.1 None.

Appendix B – 23-24 to 28-29
CAPITAL PROGRAMME

REVISED CAPITAL PROGRAMME

CAP BID No.	PROJECT NAME	SPEND and Funding TYPE	2023-24 (£,000's)	2024-25 (£,000's)	2025-26 (£,000's)	2026-27 (£,000's)	2027-28 (£,000's)	2028-29 (£,000's)
GF CAP 03	Bereavement Services	Spend	127					
GF CAP 85	My Resources Interface Enhancement	Spend	169	83				
GF CAP 86	Network Refresh	Spend	152	789	33			
GF CAP 87	Tech Refresh	Spend	292	0				
GF CAP 88	Geographical Information Systems	Spend	312					
GF CAP 90	Laptop Refresh	Spend	1,030	3,603				
GF CAP 91	Cloud and DR	Spend	167	268				
GF CAP 89	Synergy Education System	Spend	858	187				
GF CAP 93	NEC Housing System	Spend	2,725					
GF CAP 93	NEC Housing System	HRA Contribution	(1,772)					
GF CAP 66	Uniform ICT Upgrade	Spend	56					
NEW BID	Public Switched Telephone Network Digital Migration Phase	Spend	163	380				

1									
ASSISTANT CHIEF EXECUTIVE			4,279	5,311	33	0	0	0	0
GF CAP 79	Children Home DFE	Spend	329						
GF CAP 79	Children Home DFE	Grant	(329)						
NEW BID	Woodlands Family Hub	Spend	140	95					
NEW BID	Woodlands Family Hub	Grant	(140)	(95)					
CHILDREN, YOUNG PEOPLE AND EDUCATION			0	0	0	0	0	0	0
GF CAP 04	Disabled Facilities Grant	Spend	3,000	3,335	3,335	3,335	3,335	3,335	3,335
GF CAP 04	Disabled Facilities Grant	Grant	(3,000)	(3,335)	(3,335)	(3,335)	(3,335)	(3,335)	(3,335)
GF CAP 05	Empty Homes Grants	Spend	400						
HOUSING			400	0	0	0	0	0	0
GF CAP 56	Asset Strategy - Stubbs Mead	Spend	500	150					
GF CAP 57	Asset Strategy Programme	Spend	100	113					
GF CAP 59	Clocktower Chillers	Spend	15	367					
GF CAP 60	Corporate Property Maintenance Programme	Spend	2,780	2,000	2,000	2,000	2,000	2,000	2,000
GF CAP 18	Fairfield Halls - Council	Spend	625	500					
GF CAP 78	Former New Addington Leisure Centre	Spend	300						
GF CAP 24	Fieldway Cluster (Timebridge Community Centre)	Spend	248						
GF CAP 100	Contingency	Spend	1,000	1,000	1,000	1,000	1,000	1,000	1,000
GF CAP 08	Education - Fire Safety	Spend	450						

GF CAP 08	Education - Fire Safety	Grant	(450)						
GF CAP 09	Education - Fixed Term Expansions	Spend	225		1,493				
GF CAP 09	Education - Fixed Term Expansions	Grant	(225)		(1,493)				
GF CAP 10	Education - Major Maintenance	Spend	3,411	3,777	2,544				
GF CAP 10	Education - Major Maintenance	Grant	(3,411)	(3,777)	(2,544)				
GF CAP 11	Education - Miscellaneous	Spend	116	760					
GF CAP 11	Education - Miscellaneous	Grant	(101)						
GF CAP 11	Education - Miscellaneous	Grant	(15)	(760)					
GF CAP 12	Education - Permanent Expansion	Spend	297	1,158					
GF CAP 12	Education - Permanent Expansion	Grant	(297)	(1,158)					
GF CAP 14	Education - SEN	Spend	1,600	2,894	3,000	2,564			
GF CAP 14	Education - SEN	Grant	(1,600)	(2,894)	(3,000)	(2,564)			
RESOURCES			5,568	4,130	3,000	3,000	3,000	3,000	3,000
GF CAP 25	Growth Zone	Spend	15,341	4,000	4,000	4,000	4,000	4,000	4,000
GF CAP 25	Growth Zone	Growth Zone Fund	(15,341)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
GF CAP 26	Grounds Maintenance Insourced Equipment	Spend	1,200						
GF CAP 27	Highways	Spend	8,260	8,618	8,618	8,618	8,618	8,618	8,618
GF CAP 29	Highways - flood water management	Spend	404	435	435	435	435	435	435
GF CAP 30	Highways - bridges and highways structures	Spend	1,641	2,663	5,513	5,513	5,513	5,513	5,513
GF CAP 30	Highways - bridges and highways structures	Grant	(1,481)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)

GF CAP 31	Highways - Tree works	Spend	50					
GF CAP 31	Highways - Tree works	Grant	(50)					
GF CAP 81	Local Authority Tree Fund	Spend	83	67	67			
GF CAP 81	Local Authority Tree Fund	Grant	(83)	(67)	(67)			
GF CAP 82	Trees Sponsorship	Spend	42					
GF CAP 82	Trees Sponsorship	Grant	(42)					
GF CAP 84	Leisure centres equipment Contractual Agr	Spend		174	204	198	150	225
GF CAP 83	Tennis Court Upgrade	Spend	75					
GF CAP 33	Leisure Equipment Upgrade	Spend	148					
GF CAP 34	Libraries Investment - General	Spend	224	1,390				
GF CAP 34	Libraries Investment - General	LMP CIL	(224)	(1,390)				
GF CAP 80	Central Library Digital Discovery Zone	Spend		175				
GF CAP 80	Central Library Digital Discovery Zone	Grant		(150)				
GF CAP 77	New Investment to South Norwood Library	Spend		520				
GF CAP 39	Parking	Spend	1,843	1,662				
GF CAP 39	Parking	Grant	(166)					
GF CAP 95	Cashless Pay & Display	Spend	1,463					
GF CAP 41	Play Equipment	Spend	300					
GF CAP 41	Play Equipment	LMP CIL	(28)					
GF CAP 41	Play Equipment	s106	(125)					
GF CAP 41	Play Equipment	Grant	(50)					
GF CAP 43	Safety - digital upgrade of CCTV	Spend	1,540					
GF CAP 46	HIGHWAY Road Markings/Signs	Spend	137					

	(Refresh)							
GF CAP 47	South Norwood Good Growth	Spend	773					
GF CAP 47	South Norwood Good Growth	s106	(45)					
GF CAP 47	South Norwood Good Growth	Grant	(692)					
GF CAP 47	South Norwood Good Growth	Grant	(36)					
GF CAP 48	Kenley Good Growth	Spend	304	90				
GF CAP 48	Kenley Good Growth	s106	(254)					
GF CAP 48	Kenley Good Growth	Grant	(50)	(90)				
GF CAP 49	Sustainability Programme	Spend	300	300	500			
GF CAP 49	Sustainability Programme	LMP CIL	(300)	(300)	(500)			
GF CAP 50	LIP	Spend	3,522	7,387				
GF CAP 50	LIP	s106	(1,007)	(762)				
GF CAP 50	LIP	TFL	(2,015)	(6,125)				
GF CAP 96	Cycle Parking	Spend	106	36	40			
GF CAP 96	Cycle Parking	Grant	(106)	(36)	(40)			
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Spend	3	392	382	396		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	s106	0	(322)	(312)	(326)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	0	(70)	(70)	(70)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	(3)					
NEW BID	Ashburton Park Heritage Fund	Spend	305					
NEW BID	Ashburton Park Heritage Fund	Grant	(305)					
GF CAP 99	Park Asset Management	Spend	700	1,000	1,000	1,000		

GF CAP 53	Waste and Recycling Investment	Spend	602	1,956				
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DVLPT			16,963	16,553	14,770	14,764	13,716	13,791
GF CAP 101	Capitalisation Direction	Spend	63,000	38,000	38,000	38,000	38,000	38,000
GF CAP 101	Capital Receipts	Capital Receipts	(83,610)	(57,394)	(30,000)	-	-	-
GF CAP 70	Further CIL (to be allocated)	CIL	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)
CORPORATE			(27,210)	(25,994)	1,400	31,400	31,400	31,400

**TOTAL NET GENERAL FUND
CAPITAL - Borrowing**

- - 19,203 49,164 48,116 48,191