*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 8

TITLE OF REPORT: CAPITAL PROGRAMME 2013/14 ONWARDS

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

This report is in its final format and will be presented to Cabinet at the meeting to be held on 29 January 2013. This Committee is requested to review and note the report and that the Strategic Director of Finance, Policy and Governance to take note of any comments raised.

1. SUMMARY

1.1 To obtain Cabinet's approval for the provisional capital programme for 2013/14 to 2016/17.

2. RECOMMENDATIONS

2.1 That Cabinet approves the inclusion of the 2013/14 investment proposals, listed in Appendix C, which total £2.624million overall (£2.540million profiled in 2013/14) in the proposed capital programme.

2.2 That Cabinet approves the inclusion in the capital programme of the 2014/15 investment proposals (C6 and C8), listed in Appendix C, as an early indication of £90k of investment required.

2.3 That Cabinet approves the on-going commitment to the Tenant Cash Incentive Scheme, Housing Association Grant Scheme, Disabled Facility Grant Scheme and Private Renovation Grant Scheme to the level detailed in paragraph 8.6.

2.4 That Cabinet notes that further changes to the Capital Programme may be necessary as a result of future decisions on current projects.

2.5 That Cabinet recommends the provisional capital programme for 2013/14 to 2016/17 as detailed at Appendix A to Council for adoption.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Each proposed capital scheme is the result of consideration of options for continuous improvement in services by the relevant Head of Service in consultation with the relevant Portfolio Holder.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

5.1 All Members were given opportunity to comment on the Capital investment proposals at Member Budget Workshops held on the 30/31 October 2012. Notes of the comments and questions raised at the workshops were provided to Cabinet in December.

5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

6. FORWARD PLAN

6.1 This Report contains a recommendation on a key decision to be taken by Council on 13 February 2013 that was first notified to the public in the Forward Plan on the 1 September 2012.

7. BACKGROUND

7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District. Finance and other resources are aligned to the strategic priorities as set out in the Priorities document. In order to provide clear evidence to support decisions on resource allocation, the methodology for scoring individual projects has been used again. This requires that each proposal for additional investment is linked to one of the three priorities identified in the Priorities document.

7.2 The December meeting received the capital programme estimates, as at the end of the second quarter of 2012/13, and also received fifteen further capital investment proposals as part of the Corporate Business planning process.

7.3 The 2012/13 second quarter monitoring report advised Members of a reduction of £1.722million in the projected expenditure in 2012/13 to £6.505million. This reduction in spend was partly due to £1.703million of revisions in the timing in completion of schemes, leading to re-profiling into future years, partly due to a net decrease in the expected spend on schemes of £62k and partly due to a new project not previously included in the capital programme with a cost of £43k.

7.4 The report also provided a reminder that the capital programme will need to remain permanently under close review due to the limited availability of capital receipts and the affordability in the general fund of the cost of using Council's set aside capital receipts.

8. ISSUES

Capital Programme 2012/13

8.1 At the time of writing there are no confirmed updates to the position on capital spend in 2012/13 to that reported in the second quarter monitoring report. However, the decision Members take with regard to the regeneration of John Barker Place, Hitchin, may impact on the expected timing of spend on housing development schemes. A further update on all capital schemes will be provided in the third quarter monitoring report in February.

Capital Programme 2013/14 and onwards

8.2 The strategic summary in Appendix A summarises the capital programme by Council priority while also demonstrating the overall funding position year on year. The scheme detail is shown in Appendix B. The estimated capital spend in 2013/14 is £8.4million and includes the £2.5million of proposed investment schemes listed in

Appendix C. The total estimated capital spend over the period 2013/14 to 2016/17 is £14.6million.

8.3 There are now sixteen capital investment proposals detailed in Appendix C. This includes the fifteen proposals put to Members in December and one new proposal. The new proposal is for investment of £1million for new wheelie bins. This is subject to a separate report on the Waste Collection Service Project, due at Council on the 24 January 2013. The capital investment for the provision of additional wheelie bins is part of the project to enable the collection of co-mingled recycling.

8.4 The total new investment proposed for 2013/14 is now £2.5million and for 2014/15 is £174k. All proposals have been linked to Council priorities and have been scored and ranked to give an indication of the priority of the proposals. It is recognised that the use of set aside receipts would be needed to fund these proposals and it is estimated based on current investment rates that the cost to the general fund of the loss of interest would total £41k a year for all the proposals. The impact on the general fund will be anticipated in the general fund estimates.

8.5 There are funds available in the IT reserve to fund the four information technology proposals (C13,C14,C15,C16) subject to consideration of the business cases by Challenge Board.

8.6 The Council has allowances each year in the capital programme over 2013/14 to 2016/17 for the following schemes:

- Tenant Cash Incentives, £105k (£70k in 2013/14)
- Housing Association Grants, £500k
- Disabled Facility Grants, £745k
- Private Renovation Grants, £35k

Members are asked for on-going commitment of these schemes at this level.

8.7 The Council receives Government funding of approximately £250k a year towards the Disabled Facility Grant programme. The remaining £495k spend of the total £745k budget is funded from the Council's own resources. The Council has not received any indication of a reduction in Government funding for Disabled Facility Grants.

8.8 The capital programme includes an estimate of £4.3million for the North Herts Museum and Community Facility project. HTH Ltd will provide funding of £490k towards this cost. The capital programme estimates anticipate the second stage of the Heritage Lottery bid will be successful and will fund around £1million of the fit out costs. Should this bid be unsuccessful Members should be aware it may be necessary to use further set aside receipts, or useable capital receipts, if they are available. The total project cost estimates will need to be revised once the construction work is tendered and awarded to the winning contractor.

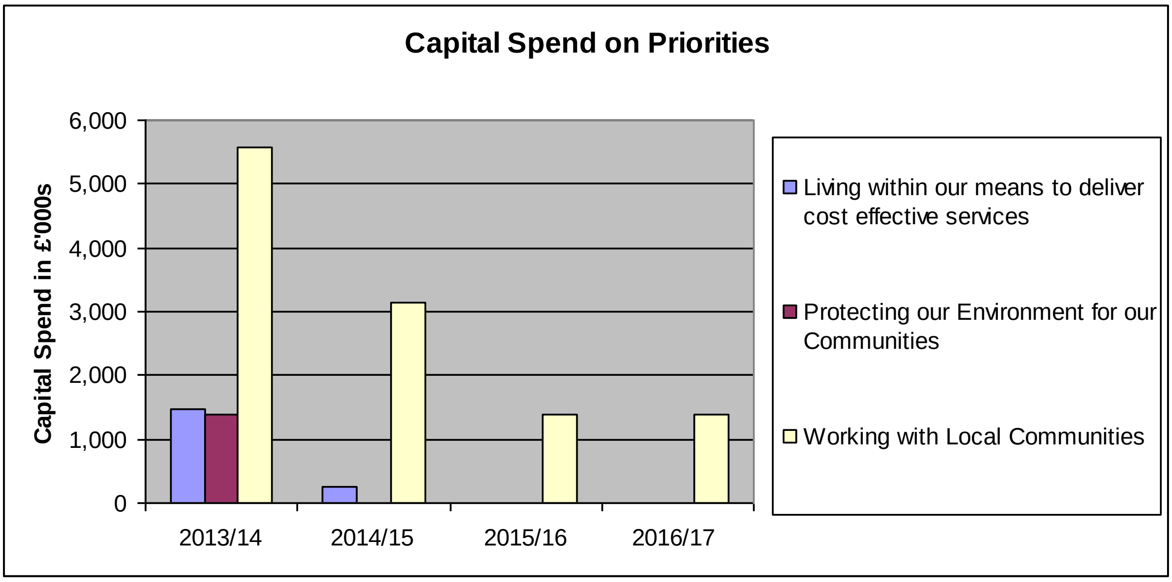
Link to the Council's three priorities

8.9 The Council has adopted high level priorities for 2013/14 and onwards. These are:

- Living within our means to deliver cost-effective services;
- Working with local communities; and
- Protecting our environment for our communities

8.10 The capital programme includes a total investment in these new three priorities, over the period 2013/14 to 2016/17, of £14.6million. This is demonstrated in Chart 1.

Chart 1: Distribution of capital spend on the Council's priorities



8.11 A further report will be coming forward to Members over the coming months on proposals for investment in office accommodation. Any approved investment will need to be incorporated into the capital programme. There is no allowance in the programme for investment in office accommodation at this time.

Capital Programme Funding 2013/14 and onwards

8.12 The capital programme can be funded by a combination of third party contributions (e.g. S106 and grants), government grants, revenue contributions, prudential borrowing, IT reserve and useable and set aside capital receipts. The estimated intended funding source for the capital programme is shown in Appendix A.

8.13 The largest assumed source of funding is through the use of Council resources, either via useable capital receipts or set aside capital receipts. The impact of using set aside receipts (which are not replenished with more receipts) is to reduce the amount of cash available for investment. There is, therefore, a general fund cost resulting from capital expenditure which is funded by this means, as the amount of interest received on investments reduces. Over the period 2013/14 to 2016/17 the total demand on capital receipts is estimated to be £11million. At an average interest rate of say, 1.5%, this money would have generated the general fund approximately £165k per annum. Each capital scheme must be individually assessed on its own merits and business case but the overall affordability of the capital programme must also remain under review. This is done by reviewing the Capital Financing Requirement in the Treasury Strategy and making sure an appropriate level of adjustment is reflected in the general fund estimates.

8.14 The availability of third party contributions and grants to fund capital investment is continuously sought in order to alleviate pressure on the Council's available capital receipts and allow for further investment. In 2013/14 a total of £874k of third party contributions and grants is expected to be applied.

Asset Disposals

8.15 Further consideration is being given to the asset management plan, in particular the assets identified for disposal and relevant merits in the timing of disposal in the light of market conditions. It is currently anticipated the Council will receive around £2.5million of receipts from asset disposals in 2013/14 and a further £3.1million in 2014/15.

9. LEGAL IMPLICATIONS

9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering the capital programme and its impact upon the revenue budget Cabinet is able to make informed recommendations on the budget to Council.

9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 4 of the report. The Authority can call upon borrowing or the disposal of its non-core assets if needed and if considered affordable.

10.2 The Authority operates a 10% tolerance limit on capital projects and on this basis over the next four-year programme it should be anticipated that the total spend over the period could be £1.5million higher than the estimated £15million. The authority will need to continuously review the affordability of the capital programme in the light of the asset disposal programme, availability of third party funds and impact on the general fund. The asset disposal programme has to be carefully reviewed in the light of market conditions while considering the demands for resources from the capital programme.

11. RISK IMPLICATIONS

11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This should be detailed to Members when a new investment comes forward (see the anticipated impact column on Appendix C). For example, the repairs to St Mary's car park (C6) are proposed in order to reduce the possibility of personal injury claims against the Council.

11.2 There are no further risk implications to report at this stage. The risk implications of each individual scheme are considered in project plans as the schemes are progressed.

12. EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.3 There are no equalities implications directly arising from the adoption of the Capital Programme for 2013/14.

13. SOCIAL VALUE IMPLICATIONS

13.1 There are no social value implications arising from the adoption of the Capital Programme for 2013/14.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct human resource or employee equality implications.

15. APPENDICES

15.1 Appendix A, Capital Programme Summary,
Appendix B, Capital Programme Detail,
Appendix C, Capital Investment Proposals for 2012/13 and onwards

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17. BACKGROUND PAPERS

17.1 Financial Regulations
17.2 Contract Procurement Rules
17.3 Treasury Strategy Statement

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