*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. **9**

TITLE OF REPORT: CAPITAL PROGRAMME 2014/15 ONWARDS

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY AND GOVERNANCE

This report will be presented to Cabinet on 28 January 2014 and is for information only and for FAR to comment if appropriate to Cabinet.

1. SUMMARY

1.1 To obtain Cabinet's approval for the provisional capital programme for 2014/15 to 2017/18.

2. RECOMMENDATIONS

2.1 That Cabinet approves the inclusion of the investment proposals, listed in Appendix C, which total £5.327million overall (£1.438million profiled in 2014/15) in the proposed capital programme.

2.2 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.

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

2.4 That Cabinet recommends the provisional capital programme for 2014/15 to 2017/18 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 in November 2013. 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 2014 that was first notified to the public in the Forward Plan on the 6 September 2013.

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 and a review of the Medium Term Financial Strategy. 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 2013/14, and also received the further capital investment proposals as part of the annual Corporate Business planning process.

7.3 The 2013/14 second quarter monitoring report advised Members of a reduction of £460k in the projected expenditure in 2013/14 to £8.918million. This reduction in spend was partly due to £1.043million of revisions in the timing in completion of schemes, leading to re-profiling into future years and partly due to a net increase in the expected spend on schemes of £583k. It was also noted that in July the Council had resolved to approve the purchase of the District Council Offices, but at the time of writing the second quarter report it was not possible to include the purchase price in the estimates. The purchase was completed at the end of November at a cost of £3.65million to the Authority (albeit delivers an annual revenue saving of around £208k) and this spend increases the expected total projected expenditure on the capital programme in 2013/14 to £12.568million.

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

8. ISSUES

Capital Programme 2013/14

8.1 At the time of writing there are no confirmed updates to the position on capital spend in 2013/14 to that reported in the second quarter monitoring report other than the inclusion of the purchase price of the District Council Offices as referred to in paragraph 7.3. A further update on all capital schemes will be provided in the third quarter monitoring report in February.

Capital Programme 2014/15 and onwards

8.2 The strategic summary in Appendix A aligns the capital programme to Council priority whilst also demonstrating the overall funding position year on year. The scheme detail is shown in Appendix B. The estimated capital spend in 2014/15 is £7.9million and includes the £1.4million of proposed investment schemes listed in appendix C. The total estimated capital spend over the period 2014/15 to 2017/18 is £20.3million.

8.3 There are 44 new capital investment proposals detailed in Appendix C which total an investment of £5.3million over the period 2014/15 to 2017/18. This is £197k less than the amount of investment presented to Members in December. Complications around the lease in place for the site for Baldock Road Pavilion in Letchworth have made it impossible for the Council to apply for a Football Foundation grant. A decision has therefore been made to limit Council resources to this project to a £50k pump priming contribution for a third party to lead on the project. All proposals have been linked to Council priorities and have been scored and ranked to give an indication of the priority of the proposals.

8.4 The impact on the general fund of using reserves to pay for the investment has been considered as part of the general fund budget estimates. The new capital investment proposals are summarised into the following headings:

- Proposals that relate to delivery of the green space strategy,
- Proposals that relate to investment in the provision of parking facilities,
- Proposals for general asset management, and
- Proposals in Information Technology that can be funded from the IT Reserve.

8.5 There are funds available in the IT reserve to fund the information technology proposals (C40 to C44) subject to consideration of the business cases by Challenge Board.

8.6 The Council has allowances each year in the capital programme over 2014/15 to 2017/18 for the following schemes:

- Tenant Cash Incentives, £105k
- 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 an annual Government grant towards the Disabled Facility Grant programme. For 2014/15 this grant is £295k. The remaining £450k spend of the total £745k budget is funded from the Council's own resources. From 2015/16 the grant will form part of the Better Care Fund (previously referred to as the Integration Transformation Fund) as announced in the 2013 Spending Round and will be paid to the County Council. However, the statutory duty on the Council to provide DFG to those that qualify will remain so it is assumed the grant will be pass-ported from the County Council.

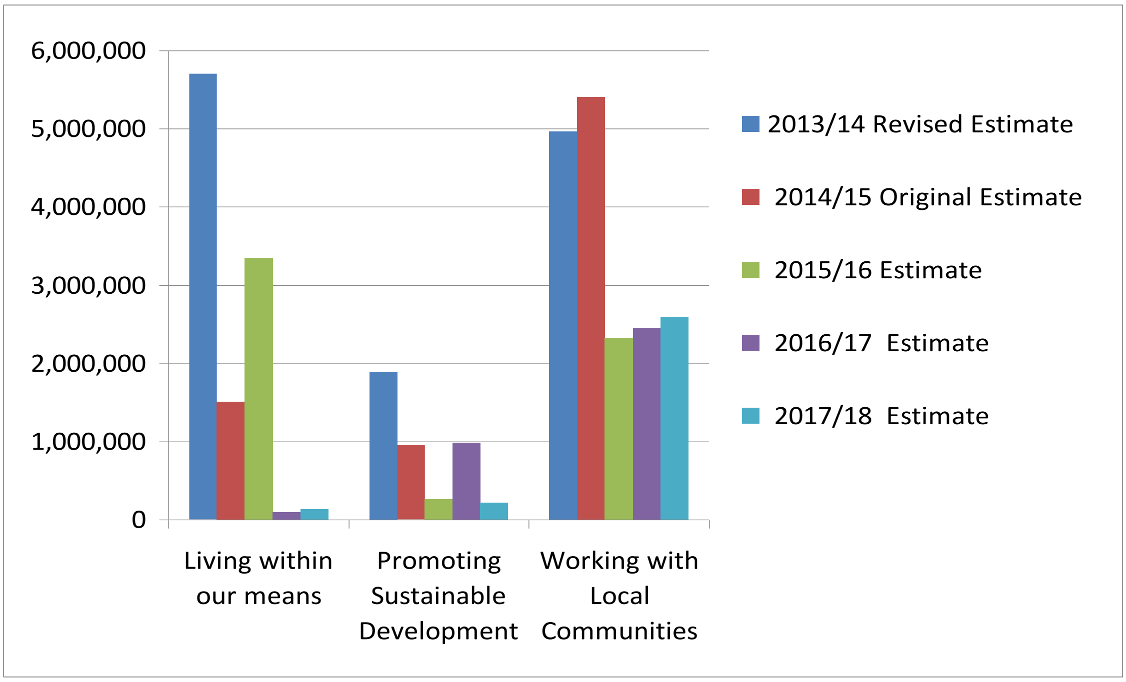
Link to the Council's three priorities

8.8 The Council has adopted high level priorities for 2014/15 and onwards. These are:

- Promoting Sustainable Growth;
- Working with local communities; and
- Living within our means

8.9 The capital programme includes a total investment in these new three priorities, over the period 2014/15 to 2017/18, of £20.3million. This is demonstrated in Chart 1.

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



Capital Programme Funding 2014/15 and onwards

8.10 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.

8.11 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 2014/15 to 2017/18 the total demand on useable and set aside capital receipts is estimated to be £13.8million. At an average interest rate of say, 1%, this money would have generated the general fund approximately £138k 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.

8.12 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 2014/15 a total of £2.6million of third party contributions and grants is expected to be applied.

Asset Disposals

8.13 A number of assets have been identified for disposal via the asset management plan and it is anticipated that the Council will complete disposals during 2014/15 which will generate receipts of around £7.5million.

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 8 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 £2million higher than the estimated £20.3million. 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, including the on-going revenue liabilities arising from new capital schemes. 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).

11.2 The risk implications of each individual scheme are considered in project plans as the schemes are progressed.

11.3 The capital programme assumes a level of third party contributions and grants towards the cost of the schemes, some of which have yet to be awarded. For example, the estimates anticipate the second stage of the Heritage Lottery bid for the new District Museum 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.

11.4 Some of the proposed capital schemes assume that the future revenue liabilities will be met by a third party. If this does not materialise then Members should be aware that the scheme may not proceed, or will lead to increased revenue pressures compared to what was originally proposed, which could result in a requirement for other revenue efficiencies.

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 direct equalities implications directly arising from the adoption of the Capital Programme for 2013/14. Individual schemes and business plans will be reviewed to ensure they align with equalities legislation as schemes come to fruition; any which exceed £50k in value or benefit more than two wards will be subject to equality analysis which will accompany project proposals.

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report do not directly constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12-12.3 above.

13.2 Any individual schemes which are awarded capital funding which do constitute a public service contract will be subject to analysis and measurement of their social value as required and at the appropriate time.

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 2014/15 and onwards

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17. BACKGROUND PAPERS

17.1 Financial Regulations
17.2 Contract Procurement Rules
17.3 Treasury Strategy Statement