*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 8

TITLE OF REPORT: CAPITAL PROGRAMME 2015/16 ONWARDS

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

Note: This report will be presented to Cabinet on 27 January 2015.

1. SUMMARY

1.1 To obtain Cabinet's approval for the provisional capital programme for 2015/16 to 2018/19.

2. RECOMMENDATIONS

2.1 That Cabinet approves the changes to the projected capital programme for 2014/15 and onwards as a result of the changes to schemes detailed in paragraph 8.1, a decrease in expenditure in 2014/15 of £349,000 to a total of £9.254million.

2.2 That Cabinet approves the inclusion of all the capital investment proposals, listed in Appendix C, which total £18.494million overall (£9.331million profiled in 2015/16) in the proposed capital programme.

2.3 That Cabinet notes the changes to the schemes (as detailed in appendix C) which are an on-going commitment in the capital programme:

- Cease the commitment to the Tenant Cash Incentive Scheme,
- Withdraw the £500,000 per annum budget for the Housing Association Grant Scheme and consider bids on an individual basis,
- Maintain the same level of funding (total budget of £745k per annum) for the Disabled Facility Grant Scheme
- Increase the annual budget for the Home Repair Assistance Grants scheme from £35,000 to £60,000.

2.4 That Cabinet recommends the provisional capital programme for 2015/16 to 2018/19 of £20.5million, as detailed at Appendix A and Appendix B, 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 service improvement 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 2014. 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 12 February 2015 that was first notified to the public in the Forward Plan on the 30 June 2014.

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 2014/15, and also received the further capital investment proposals as part of the annual Corporate Business planning process.

7.3 The 2014/15 second quarter monitoring report advised Members of a reduction of £1.465million in the projected expenditure in 2014/15 to £9.603million. This reduction in spend was partly due to £1.634million of revisions in the timing in completion of schemes, leading to re-profiling into future years, partly due to a net increase in the expected spend on existing schemes of £74,000 and partly due to the approval of a new scheme of £95k for a replacement telephony infrastructure.

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 2014/15

8.1 At the December meeting Cabinet agreed to a phased approach to deliver incremental affordable improvements to Bancroft Recreation Ground based on the principles outlined in the most recent version of the master plan set out in the report to Cabinet on 28 January 2014, using Section 106 and other limited internal and external financial resources. Cabinet also agreed that, subject to the approval of a revenue growth bid of £15,000 per annum, the inclusion of a water splash park and associated toilet/baby changing provision for Bancroft Recreation Ground in the Capital Programme for 2015/16. The existing capital scheme which was based on a successful lottery bid (£349,000 in 2014/15 and £2.4million in total) has been removed and replaced in the capital programme with a new capital bid of £190,000 for a water splash park.

8.2 The revised total projected spend on capital schemes in 2014/15 is now £9.254million.

Capital Programme 2015/16 and onwards

8.3 The strategic summary in Appendix A aligns the capital programme to a Council priority whilst also demonstrating the overall funding position year on year. The scheme by scheme detail is shown in Appendix B. The estimated capital spend in 2015/16 is £11.3million and includes the £4.2million of new proposed investment schemes bought forward in the 2015/16 Corporate Business Planning process and listed in appendix C. The total estimated capital spend over the period 2015/16 to 2018/19 is £20.5million.

8.4 The new capital investment proposals detailed in Appendix C (those not highlighted in bold) total an investment of £9.3million over the period 2015/16 to 2018/19. All proposals have been linked to Council priorities and have been scored and ranked to give an indication of the priority of the proposals.

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

- Those that are “invest to save”. These proposals follow the principle agreed in the Medium Term Financial Strategy to look for ways of investing capital resources in order to save on running costs in the general fund.;
- Those that relate to investment in the North Herts Leisure Centre;
- Those for general asset management;
- Those to re-prioritise the on-going commitment to provide grants to third parties. Following a review it is proposed to remove the on-going allowance of £500k for Housing Association Grants and £105k for a tenant cash incentive scheme, to continue with annual investment of £745k in the Disabled Facility Grants Scheme, and increase the annual allowance for the Home Repair Assistance grants to £60k;
- Those that are to deliver the action plans of the Green Space Strategy;
- Those that relate to investment in the provision of car parks, and
- Those for investment in IT infrastructure.

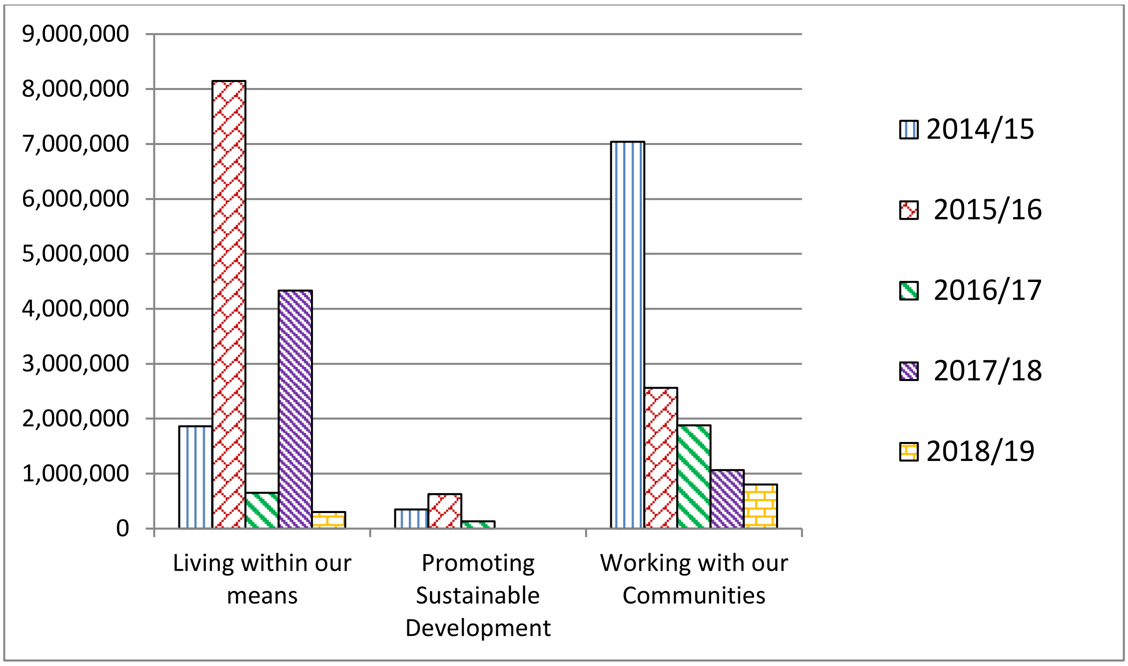
Link to the Council’s three priorities

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

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

8.7 The capital programme includes a total investment in these three priorities, over the period 2015/16 to 2018/19, of £20.5million. This is demonstrated in Chart 1.

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



Capital Programme Funding 2015/16 and onwards

8.8 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.

8.9 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 2015/16 to 2018/19 the total demand on useable and set aside capital receipts is estimated to be £17.866million. At an average interest rate of say, 1%, this money would have generated the general fund approximately £179k 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.

8.10 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 2015/16 a total of £1.2million of third party contributions and grants is expected to be applied.

Asset Disposals

8.11 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 the final months of 2014/15 or during 2015/16 which will generate receipts of around £7.9million.

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 £20.5million. 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. There is a risk that not all the contributions are forthcoming. For example, the estimates anticipate a contribution of £490k towards the North Hertfordshire Museum and Community Facility at Hitchin Town Hall from Hitchin Town Hall Ltd. If contributions are less than expected it may be necessary to use further set aside receipts.

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 2015/16. 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. The demand for the Tenant Cash Incentive scheme has fallen and as there are alternatives, any potential disadvantage to the community is relatively small. In similar fashion, Housing Associations are able to cross subsidise and operate more freely, negating the need to assign funds but still consider individual cases on their on merit.

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 2015/16 and onwards

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17. BACKGROUND PAPERS

None