*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 9

TITLE OF REPORT: CAPITAL PROGRAMME 2017/18 ONWARDS

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
EXECUTIVE MEMBER: COUNCILLOR T.W. HONE

1. SUMMARY

1.1 To obtain Cabinet's approval for the provisional capital programme for 2017/18 to 2020/21. The current estimate is that total spend in 2017/18 - 2020/21 will be £16.0M.

2. RECOMMENDATIONS

2.1 That Cabinet approves the inclusion of all the new capital investment proposals, listed in Appendix C, which total £4.139million overall (£1.319million profiled in 2017/18) in the proposed capital programme.

2.2 That Cabinet recommends the provisional capital programme for 2017/18 to 2020/21 of £15.995million, 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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 All Members were given opportunity to comment on the Capital investment proposals at Member Budget Workshops held in November 2016. 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 9 February 2017 that was first notified to the public in the Forward Plan on the 17 October 2016.

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 Corporate Plan. This requires that each proposal for additional investment is linked to one of the three priorities identified in the Priorities document.

7.2 The November meeting received the capital programme estimates, as at the end of the second quarter of 2016/17. The December meeting received the further capital investment proposals as part of the annual Corporate Business planning process.

7.3 The 2016/17 second quarter monitoring report advised Members of a reduction of £1.551million in the projected expenditure in 2016/17 to £18.158million. This reduction in spend was mainly due to £1.416million of revisions in the timing in completion of schemes, leading to re-profiling into future years and partly due to a net decrease in the expected spend on existing schemes of £0.135million.

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 2017/18 and onwards

8.1 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 2017/18 is £8.910million. The total estimated capital spend over the period 2017/18 to 2020/21 is £15.995million.

8.2 The new capital investment proposals are detailed in Appendix C. All proposals have been linked to Council priorities.

8.3 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 capital investment proposals can be 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 Leisure Centres.
- Those for CCTV.
- Those that are to deliver the action plans of the current Green Space Strategy.
- Those for investment in IT infrastructure.

8.4 The capital investment proposals do not include the implications of the revised Green Space Strategy that will be considered by Cabinet at this meeting. An update will be provided at the meeting if the revised Strategy is agreed.

Link to the Council's three priorities

8.5 The Council has adopted high level priorities for 2017/18 and onwards. These are:

- Attractive & Thriving
- Prosper & Protect and
- Responsive & Efficient.

8.6 The capital programme is shown by Priority in Appendix A.

Capital Programme Funding 2016/17 and onwards

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

8.8 The largest assumed source of funding is through the use of Council resources, either via 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. This means there is 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 2017/18 to 2020/21 the total demand on useable and set aside capital receipts is estimated to be £11.83million. At an average interest rate of 0.7%, this money would have generated the general fund income up to £83k 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.

8.9 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 2017/18 a total of £2.2million of third party contributions and grants is expected to be applied.

Asset Disposals

8.10 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 2018/19 which will generate receipts of around £2.4million. Officers are looking at ways to bring forward the disposal of one site by applying for planning permission prior to making it available for sale. It is hoped that this will enable around half of the 2018/19 receipt to be brought forward in to 2017/18. The capital receipts direction allows new capital receipts to be used for one-off revenue purposes to support transformation and efficiency projects that deliver ongoing revenue savings. This option will also be considered as receipts become available.

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 (2017/18 - 2020/21) it should be anticipated that the total spend over the period could be £1.6million higher than the estimated

£15.995million. 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.

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 2017/18. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report do not 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. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

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 2017/18 and onwards.

16. CONTACT OFFICERS

Author:

16.1 Dean Fury, Corporate Support Accountant, Tel 474509,
email dean.fury@north-herts.gov.uk

Contributors:

16.2 Norma Atlay, Strategic Director of Finance, Policy & Governance, Tel 474297,
email, norma.atlay@north-herts.gov.uk.

16.3 Ian Couper, Head of Finance, Performance and Asset Management, Tel 474243,
email, ian.couper@north-herts.gov.uk

16.4 Antonio Ciampa, Accountancy Manager, Tel 474566,
email antonio.ciampa@north-herts.gov.uk

16.5 Reuben Ayavoo, Policy officer, Tel 474212,
email: reuben.ayavoo@north-herts.gov.uk