

CABINET 23 JANUARY 2018
--

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

TITLE OF REPORT: CAPITAL PROGRAMME 2018/19 ONWARDS

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To obtain Cabinet's approval of the provisional capital programme for 2018/19 to 2021/22. The current estimate is that total capital expenditure in 2018/19 - 2021/22 will be £17.075m.

2. RECOMMENDATIONS

2.1 That Cabinet approves the inclusion of the new capital investment proposals and revisions to existing proposals, listed in Appendix C, which total £3.274million overall (£1.931million profiled in 2018/19) in the proposed capital programme.

2.2 That Cabinet recommends the provisional capital programme for 2017/18 to 2020/21 of £17.075million, 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 Executive Member.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2017. 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 that was first notified to the public in the Forward Plan on 24 November 2017.

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 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the November meeting of Cabinet providing estimates as at the end of the second quarter of 2017/18. The report advised that total expenditure of £28.322m would be required to deliver the current capital programme for 2017-2021, with £14.520m forecast to be spent in 2017/18. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2017.

Table 1- Capital Estimates

	2017/18 £M	2018/19 £M	2019/20 to 2020/21 £M
Original Estimates approved by Full Council February 2017	8.465	4.788	3.197
Changes approved by Cabinet in 2016/17 Capital Outturn report	12.125	-0.365	0.025
Revised Capital Estimates at start of 2017/18	20.590	4.423	3.222
Changes approved by Cabinet at 1st Quarter	-5.451	5.234	0
Changes approved by Cabinet at 2nd Quarter	-0.619	0.923	0
Current Capital Estimates	14.520	10.580	3.222

7.3 The December meeting of Cabinet received details of new capital investment proposals and proposed revisions to existing projects that were collated and reviewed as part of the annual Corporate Business planning process.

8. RELEVANT CONSIDERATIONS

Capital Programme 2018/19 and onwards

8.1 The Council has adopted three high level priorities for 2018/19 and onwards. These are:

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

- 8.2 The strategic summary in Appendix A aligns the capital programme to Council priorities while also demonstrating the overall funding position year on year. The scheme by scheme details are shown in Appendix B. The estimated capital spend in 2018/19 is 12.511million. The total estimated capital spend over the period 2018/19 to 2021/22 is £17.075m.
- 8.3 The new capital investment proposals and proposed revisions to existing projects are detailed in Appendix C.

Capital Programme Funding 2017/18 and onwards

- 8.4 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 from each source for the capital programme is shown in Appendix A.
- 8.5 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 the set aside receipts (which are not replenished with more receipts) is to reduce the amount of cash available for treasury investment. This means there is an adverse General Fund impact resulting from capital expenditure which is funded by this means, as the amount of interest received on investments reduces. It is estimated that the forecast balance remaining at the end of 2017/18 of £5.145m of set aside capital receipts will reduce to zero over the period 2018/19 to 2021/22, while there will also be a total demand on usable capital receipts of £6.855m. At an average interest rate of 0.7%, this money would have generated the General Fund income up to £84k 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.
- 8.6 Appendix A shows that the total planned demand on the set-aside receipts is greater than the balance available at the start of 2017/18. This however is based on the current profile (timing) of capital expenditure. It is likely that there will be changes to the profile of spend and that usable capital receipts might be available to fund expenditure as and when the set-aside receipts reduce to zero. If this is not the case then the Council will need to use revenue contributions or borrow to fund this capital expenditure.
- 8.7 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 2018/19 a total of £2.0million of third party contributions and grants is expected to be applied.

Asset Disposals

- 8.8 A number of assets have been identified for disposal via the asset management plan and it is anticipated that the Council will complete disposals over the period 2018/19 - 2021/22 that will generate receipts of around £8.5million.

- 8.9 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. It is intended to make use of this option in 2018/19 to fund the proposals to decommission identified pavilions and playgrounds, as detailed in Appendix C.

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 for most capital projects and on this basis over the next four-year programme (2018/19 - 2021/22) it should be anticipated that the total spend over the period could be £1.708million higher than the estimated £17.075million. 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 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2018/19 onwards. 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 proposal.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report.

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.

15.2 Appendix B: Capital Programme Detail.

15.3 Appendix C: New Capital Investment Proposals and proposed revisions to existing projects for 2018/19 and onwards.

16. CONTACT OFFICERS

16.1 Antonio Ciampa, Accountancy Manager
antonio.Ciampa@north-herts.gov.uk; ext 4566

16.2 Ian Couper, Head of Finance, Performance and Asset Management
ian.Couper@north-herts.gov.uk; ext 4243

16.3 Dean Fury, Corporate Support Accountant
dean.Fury@north-herts.gov.uk; ext 4509