

EAST HERTS COUNCIL

JOINT MEETING OF SCRUTINY COMMITTEES – 19 JANUARY 2010

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND  
INTERNAL SUPPORT

6. CAPITAL PROGRAMME 2009/10 (REVISED) TO 2012/13

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- This report sets out proposals for the Council's Capital Programme for the period 2009/10 (Revised) to 2012/13.

<b><u>RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u></b>	
<b>(A)</b>	<b>The draft Capital Programme 2009/10 (Revised) to 2012/13 be scrutinised; and</b>
<b>(B)</b>	<b>The Executive be advised of any recommendations.</b>
<b><u>RECOMMENDATIONS FOR DECISION BY EXECUTIVE:</u></b>	
<b>(A)</b>	<b>The comments of Scrutiny Members be noted; and</b>
<b>(B)</b>	<b>The new Capital Programme for the period 2009/10 (Revised) to 2012/13 be approved.</b>

1.0 Background

1.1 The capital programme approved by the Council in February 2009 has subsequently been updated and amended initially by items of slippage and other re-phrasings following the 2008/09 Capital Out-turn position.

1.2 A number of further amendments to the Programme have since been approved including funding arrangements in respect of the Council's C3W Project and investment in Leisure facilities.

1.3 In line with current annual budgetary processes a complete review of the current programme has been undertaken and a new draft programme is now proposed for the period 2009/10 (Revised) to 2012/13. Lead officers have submitted proposals for new schemes to be included within the Programme. Investment requirements linked to invest to save schemes have also been identified through the MTFP process.

## 2.0 Report

2.1 As a medium term Investment Plan, the Programme will continue to be developed in response to the Council's priorities set out in changing strategies and service plans.

2.2 The Draft Programme is attached at **Essential Reference Paper 'B' (Pages 6.8 - 6.21)**. For the first time, the aggregate of proposed spend on individual schemes has been adjusted by a provision for slippage to produce a programme total against which total spending will be performance managed. The adjusted figures have been assumed for estimating the financing implications within the MTFP.

2.3 The Executive will note that the revised budget for the current year of £7.55m (after adjustment) reflects slippage of £1.51m compared to the "current approved" position of £9.06m being reported through the Healthcheck report (October position).

2.4 Existing rolling programmes of work have been continued up to 2012/13. These programmes will continue to provide funding in areas such as affordable housing, private sector renovation grants, the provision of play equipment, community grants, information technology upgrades as well as various environmental initiatives.

The programme for provision of the replacement of litter bins has been extended to 2012/13 and the ongoing budget for the provision of commercial waste bins reflects growth in this area of business. Increased revenue streams are anticipated.

2.5 These programmes of work represent continued investment of around £6.6m in the period 2010/11 to 2012/13.

## 2.6 New Schemes

The Draft Programme at **Essential Reference Paper 'B' (Pages 6.8 - 6.21)**, includes proposals for a number of new schemes. These total around £2.99m and are shown in bold typeface and summarised separately for ease of reference. Provisions are included for the enhancement and improvement of the Council's assets in line with the Council's Asset Management Plan.

The proposed new schemes have been scrutinised in detail by the Corporate Management Team to ensure that projects are considered to be in line with the Council's corporate priorities and that the phasing of the projects is appropriate having regard to available resources and project lead in times.

The Executive will be aware that the Council's Corporate Business Scrutiny Committee recently supported a proposal that officers should have regard to a Government guidance document on "optimism bias" when formulating proposals for new schemes. Officers have been requested to specifically consider this guidance in relation to the timescales anticipated for the delivery of projects.

It is anticipated that this will reduce the levels of slippage that have occurred against previous approved programmes.

## 2.7 Resources / Long Term Strategy

2.8 It is intended that a significant proportion of the proposed Programme will be funded from available Capital Receipts. Specific Government Grants are anticipated in respect of various schemes as well as funding from the County Council in respect of the joint provision of pools, the Herts Waste Partnership (recycling schemes) and other third party contributions.

2.9 Available capital receipts arising predominantly from the 2002 LSVT of the Council's housing stock together with ongoing receipts generated from the disposal of surplus assets are estimated to total £16.46m over the duration of the Programme. The forecast for receipts arising from "Preserved RTB" applications is based upon 3 disposals per annum based upon current experience.

A net receipt of £2.35m will be received in October 2011 arising from the Bishop's Stortford Property transactions. Members should note that accounting entries in respect of these property

transactions will feature within the Council's 2009/10 final account.

A breakdown of the new receipts anticipated is shown at **Essential Reference Paper 'C' (page 6.22)**. Please note that this Essential Reference Paper is Not for publication by virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act.

2.10 Resources

	£000's	£000's
Usable Receipts 1 April 2009	11,251	
Estimated new receipts to 31 March 2013	<u>5,206</u>	16,457
Other Resources - Govt Grants		1,314
- Third Party Contributions		504
- Section 106 contributions		6
- Revenue contribution		100
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Total Estimated Resources		18,381
Proposed Capital Programme (Adjusted)		22,316
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Potential Prudential / Internal borrowing Requirement		3,935
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Government grants assumed for financing purposes include £1.04m from the CLG in respect of private sector renovation grants and £270k from the Housing and Planning delivery grant funding stream. Future year grant levels are subject to Government announcements.

No resources have been assumed in respect of the LAA1 performance and reward grant pending discussions around investment proposals that the Council may wish to support through the LSP.

Members will note that the Programme will require the Council to undertake borrowing in the medium term (possibly from towards the end of the financial year 2011/12). The Council has received advice that it may apply internal borrowing until such time as its currently negative Capital Financing Requirement is reduced to nil.

The revenue consequences of funding the proposed Programme in respect of the loss of interest (from currently unused capital receipts) which currently supports the Council Tax is (full year effects shown) £176k (2010/11), £161k (2011/12) and £151k (2012/13). A loss of interest equivalent to around 2.75% (2010/11), 3.5% (2011/12) and 4% (2012/13) has been assumed. The 2012/13 effect will be similar if Prudential borrowing is undertaken.

## 2.11 Prudential Code

The Executive will be aware that a new prudential framework for local authority capital investment was introduced through the Local Government Act 2003.

A number of statutory prudential indicators which relate to the Capital Programme are required to be approved annually by the Council. These are included as part of the overall Treasury Management Report.

It is considered that the proposed Programme is affordable and sustainable in terms of capital resource requirements and revenue impact. Financial implications are reflected within the Council's Medium Term Financial Plan (MTFP).

## 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A' (Pages 6.6 - 6.7)**.

### Background Papers

Report to Executive - 26 May 2009.

Report to CMT - 23 November 2009.

Project Initiation Documents.

Contact Member: Councillor Michael Tindale – Executive Member for Resources and Internal Support.

Contact Officer: Alan Madin – Director of Internal Services, Extn: 1401.

Report Author: Simon Chancellor – Head of Financial Support Services, Extn: 2050.

## ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p><b>Promoting prosperity and well-being; providing access and opportunities</b>  <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p><b>Fit for purpose, services fit for you</b>  <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p><b>Pride in East Herts</b>  <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p><b>Caring about what's built and where</b>  <i>Care for and improve our natural and built environment.</i></p> <p><b>Shaping now, shaping the future</b>  <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p><b>Leading the way, working together</b>  <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>The draft Programme has been prepared in conjunction with Project control officers, Heads of Service and reviewed by the Corporate Management Team</p>
<p>Legal:</p>	<p>None</p>
<p>Financial:</p>	<p>As set out within the report</p>
<p>Human Resource:</p>	<p>Staff resources will need to be available in order to manage the delivery of the Programme</p>

Risk Management:	It is considered that there is some risk in capital resource terms although assumptions around asset disposals are considered to be prudent. Future year's assumptions around levels of Government grant are subject to future announcements. The Council will have the option of undertaking Prudential borrowing when required. From a service perspective there are risks around the delivery of certain schemes within the timescales anticipated as certain issues are not directly within the control of this Council.
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