

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 14 JANUARY 2014

EXECUTIVE – 4 FEBRUARY 2014

REPORT BY EXECUTIVE MEMBER FOR FINANCE

CAPITAL PROGRAMME 2013/14 (REVISED) TO 2016/17

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report:**

- The report sets out proposals for the Council's Capital Programme for the period 2013/14 (Revised) to 2016/17.

<b><u>RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u></b> that	
(A)	<b>The draft Capital Programme 2013/14 (Revised) to 2016/17 be scrutinised; and</b>
(B)	<b>The Executive be advised of any recommendations.</b>
<b><u>RECOMMENDATIONS FOR THE EXECUTIVE:</u></b> that	
(A)	<b>Any comments made by the Joint Meeting of Scrutiny Committees on 14 January 2014 be considered; and</b>
(B)	<b>The new Capital Programme for the period 2013/14 (Revised) to 2016/17 be recommended to Council.</b>

1.0 Background

1.1 The capital programme approved by the Council in February 2013 has subsequently been updated and amended initially by items of slippage and other re-phrasings following the 2012/13 Capital Out-turn position.

1.2 A number of further amendments to the Programme have since been approved through individual reports as well as the Council's monthly Health check process. The most significant being the

additional resources (£2.2m) relating to the changes to the Council's Recycling arrangements (SPARC).

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 2013/14 (Revised) to 2016/17. Lead officers have submitted proposals for new schemes to be included within the Programme. The Council's latest approved Financial Strategy Statement does not place any specific ceiling (for planning purposes) on the future programme for projects to be funded from the Council's available capital resources. The affordability of the Programme, including new schemes, is considered in the context of the Council's MTFP. New projects are supported (in line with Council priorities) where external contributions are anticipated. Investment requirements linked to invest to save schemes continue to be encouraged and 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'**. The Programme is presented with various detailed schemes having been combined which will continue to facilitate the overall management of resources. CMT will continue to manage projects at an individual level where appropriate. Following the approach adopted in recent years, the aggregate of proposed spend on individual schemes has again 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 £5.335m reflects a reduction of £1.012m compared to the "current approved" position of £6.347m being reported through the Health check report (November position). A number of schemes have been re-profiled into 2014/15 and approved as part of the monthly Health check process.

2.4 With the exception of support for affordable housing existing rolling programmes of work have been presented as continuing up

to 2016/17. These programmes provide funding in areas such as private sector renovation grants, the provision of play equipment, various community grant funding streams, information technology upgrades (in line with the shared IT service business plan) as well as various environmental initiatives.

From 2015/16 support for affordable housing will be provided through alternative mechanisms including the use of section 106 monies.

- 2.5 The Draft Programme at Essential Reference Paper 'B' includes proposals for some new schemes. These mainly relate to essential works to pools and offices (in line with the Property Maintenance Plan). Additional resources (based on current trends) of £225k per year are proposed from 2015/16 in order to meet the Council's mandatory responsibility for providing Disabled Facility Grants. "Invest to save" schemes are proposed in respect of arrangements for the management of public conveniences at Bell Street, Sawbridgeworth and the provision of a 3G artificial turf pitch at Hartham. Full business cases will be required before programmes of work can proceed. Proposed new schemes total £1.076m and are shown in bold typeface and summarised separately in the Programme for ease of reference.

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

Members should note that, due to accounting requirements for asset valuations, some capital expenditure incurred will not necessarily result in an equivalent increase to the value of the Council's assets (as will be reflected in the year end accounts). Expenditure will often extend the operational life of assets or facilitate or enhance an assets use in meeting the operational service needs.

## 2.6 Resources / Long Term Strategy

- 2.7 It is intended that some 42% of the proposed Programme will be funded from available Capital Receipts.

Receipts arising from the 2002 LSVT of the Council's housing stock are currently assumed to continue. Together with receipts

arising from the disposal of surplus assets an estimated £4.826m is anticipated over the duration of the programme.

2.8 From 2015/16 a change in the funding regime is planned in respect of Housing Renovation grant monies. Grants will be paid (via the Department of Health) to a new Integrated County Transformation Fund. Resource assumptions are that a similar level of grant will be passed on to this Council although actual arrangements are still under discussion.

2.9 Third party contributions including S106 monies of £479k are anticipated over the period of the Programme.

2.10 The balance of funding will be through “internal borrowing”.

2.11 Resources

	£000's	£000's
Usable receipts 1 April 2013	0	
Estimated new receipts to 31 march 2017	<u>4,826</u>	4,826
Government grants	783	
Third party contributions	479	
Revenue contribution	<u>100</u>	<u>1,362</u>
Total Estimated Resources		6,188
Capital Programme presented		11,496
Estimated internal borrowing (disinvestment)		5,308

2.12 Members will note that the Programme will require the Council to continue to undertake “internal borrowing” in order to fund the programme. The Council has received advice that it may apply internal borrowing until such time as its negative Capital Financing Requirement is reduced to nil.

2.13 Prudential Code

The Executive will be aware that a 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 Council's 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'**.

#### Background Papers

None

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