

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 15 JANUARY 2013

EXECUTIVE – 5 FEBRUARY 2013

REPORT BY EXECUTIVE MEMBER FOR FINANCE

CAPITAL PROGRAMME 2012/13 (REVISED) TO 2015/16

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The report sets out proposals for the Council's Capital Programme for the period 2012/13 (Revised) to 2015/16.

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| <u>RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u> that | |
| (A) | The draft Capital Programme 2012/13 (Revised) to 2015/16 (as amended by the proposals set out in paragraph 2.4) be scrutinised; and |
| (B) | The Executive be advised of any recommendations. |
| <u>RECOMMENDATIONS FOR THE EXECUTIVE:</u> that | |
| (A) | Any comments made by the Joint Meeting of Scrutiny Committees on 15 January 2013 be considered; and |
| (B) | The new Capital Programme for the period 2012/13 (Revised) to 2015/16 be recommended to Council. |

1.0 Background

- 1.1 The capital programme approved by the Council in February 2012 has subsequently been updated and amended initially by items of slippage and other re-phrasings following the 2011/12 Capital Out-turn position.

- 1.2 A number of further amendments to the Programme have since been approved through the Council's monthly Health check process.
- 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 2012/13 (Revised) to 2015/16. Lead officers have submitted proposals for new schemes to be included within the Programme. The Council's latest approved Financial Strategy Statement places a £1m ceiling (for planning purposes) on the 2015/16 programme for projects to be funded from the Council's available capital resources. A similar ceiling was also applied to the 2014/15 Programme approved last year. Further projects can be included where external contributions are anticipated. Investment requirements linked to invest to save schemes have also been 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 £4.178m reflects a reduction of £400k compared to the original estimate approved in February 2012. A number of schemes have been re-profiled into 2013/14 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 2015/16. 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 as well as various environmental initiatives.

Officers are again not requesting a budget for affordable housing in 2015/16. (Members will recall that no provision was included last year for the “new” 2014/15 Programme year). Members will note that the draft Programme for 2015/16 is £1.138m. Assuming Government grant of £175k for disabled facility grants this will leave £963k to be met from the Council’s own resources. This is within the £1m limit (for projects to be funded from the Council’s own resources i.e. excluding external funding) set out within the Council’s financial strategy.

- 2.5 The Draft Programme at Essential Reference Paper ‘B’ (Pages *), includes proposals for some new schemes. These mainly relate to essential works to pools and offices (in line with the Property Maintenance Plan). An “invest to save” scheme proposes the acquisition of new pool covers for Hartham and Grange Paddocks pools which will reduce energy bills and deliver an estimated return on capital within around 4 years. The acquisition of a vehicle is also proposed in order to increase operational efficiency within the parking service. Proposed new schemes total £729k (including an indicative £500k for IT investment – see below) and are shown in bold typeface and summarised separately 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 the current Programme **does not** currently include any provision for capital investment in respect of changes to the Council’s recycling arrangements which is the subject of a separate report to Members. Additional provision for investment in Information Technology is also likely to be needed should the Council agree in the future to proceed with further shared service arrangements. An indicative sum of £500k has been included in the programme for 13/14 but will be subject to a more detailed report and confirmation of the exact budget that will be required.

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 26% of the proposed Programme will be funded from available Capital Receipts. Specific Government Grants (reflecting a reduced trend in line with funding expectations) are anticipated in respect of Housing grant schemes as well as funding from a number of third party "partner" contributions.

2.8 Available capital 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 £2.84m is anticipated over the duration of the programme.

2.9 A breakdown of the new receipts anticipated is shown at **Essential Reference Paper 'C' (Confidential paper)**.

2.10 Resources

| | £000's | £000's |
|--|--------------|--------------|
| Usable receipts 1 April 2012 | 0 | |
| Estimated new receipts to 31 March 2016 | <u>2,835</u> | 2,835 |
| Government grants | 891 | |
| Third party contributions | 148 | |
| Revenue contribution | <u>100</u> | <u>1,139</u> |
| Total Estimated Resources | | 3,974 |
| Capital Programme presented | | 10,929 |
| Estimated internal borrowing (disinvestment) | | 6,955 |

2.11 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 currently 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 overall Treasury Management Report which appears separately on the agenda.

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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