

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 18 JANUARY 2011

EXECUTIVE – 8 FEBRUARY 2011

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND  
INTERNAL SUPPORT

CAPITAL PROGRAMME 2010/11 (REVISED) TO 2013/14

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 2010/11 (Revised) to 2013/14.

<b><u>RECOMMENDATION FOR DECISION BY JOINT SCRUTINY COMMITTEE : that</u></b>	
<b>(A)</b>	<b>the draft Capital Programme 2010/11 (Revised) to 2013/14 be scrutinised; and</b>
<b>(B)</b>	<b>comments be submitted to the Executive.</b>
<b><u>RECOMMENDATION FOR DECISION BY EXECUTIVE: that</u></b>	
<b>(A)</b>	<b>any comments made by the Meeting of Joint Scrutiny Committees on 18 January 2011 be considered; and</b>
<b>(B)</b>	<b>the new Capital Programme for the period 2010/11 (Revised) to 2013/14 be recommended to Council.</b>

1.0 Background

1.1 The capital programme approved by the Council in February 2010 has subsequently been updated and amended initially by items of slippage and other re-phrasings following the 2009/10 Capital Out-turn position.

- 1.2 A number of further amendments to the Programme have since been approved through the Council's monthly Healthcheck 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 2010/11 (Revised) to 2013/14. 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'. The Programme is presented this year with various detailed schemes having been combined which will facilitate the overall management of resources. CMT will continue to manage projects at an individual level. Following the approach initiated last year, 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 £6.87m reflects slippage of £0.20m compared to the "current approved" position of £7.07m (as adjusted) being reported through the Healthcheck report (November position).
- 2.4 Existing rolling programmes of work have been continued up to 2013/14. 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 2013/14 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 New Schemes

The Draft Programme at Essential Reference Paper 'B', includes proposals for a number of new schemes. These total just over £1.6m (including a redirection of resources to fund a new telephone system) 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 last year the Council's Corporate Business Scrutiny Committee supported a proposal that officers should have regard to a Government guidance document on "optimism bias" when formulating proposals for new schemes. Officers have again 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.

## 2.6 Resources / Long Term Strategy

2.7 It is intended that a significant proportion of the proposed Programme will be funded from available Capital Receipts. Specific Government Grants (reflecting a reduced trend in line with the recent CSR) are anticipated in respect of Housing grant schemes as well as funding from a variety of third party "partner" contributions.

2.8 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 £11.3m 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. This receipt was accrued in the 2009/10 accounts and is therefore reflected in the 1 April 2010 balance shown below.

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

## 2.9 Resources

	£000's	£000's
Usable Receipts 1 April 2010	7,614	
Estimated new receipts to 31 March 2014	<u>3,700</u>	11,314
Other Resources - Govt Grants		589
- Third Party Contributions		717
- Revenue contribution		100
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Total Estimated Resources		12,720
Proposed Capital Programme (Adjusted)		<u>18,607</u>
Potential Prudential / Internal borrowing Requirement		5,887
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Application of the £217k LAA1 Performance Reward Grant (PRG) already received reflects investment proposals that the Council has agreed to support through the LSP. An anticipated additional £50k of grant has been included within the resource assumptions.

Members will note that the Programme will require the Council to undertake borrowing in the medium term (possibly from early in the financial year 2012/13). 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) £98k (2011/12), increasing by £89k to 187k (2012/13) and by £66k to £253k (2013/14). A loss of interest equivalent to around 1.8% (2011/12), 2.3% (2012/13) and 2.7% (2013/14) has been assumed. The effects will be similar if internal borrowing is undertaken.

The proposed New Homes Bonus is being treated as a revenue grant but is potentially available to support capital expenditure should this be a preferred use. No amount of the income or spending against it is made in the budget pending completion of the consultation.

## 2.10 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).

However, looking further ahead the Council will need to consider the sustainability of the programme – in the 4 year period covered by this programme spending at £18.6m will exceed resources generated of £5.1m i.e. by over £3m per year. In the absence of significant capital receipts expenditures will need to be cut back and the reduction in the programme in years 3 and 4 is a start on this.

## 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

Report to Executive 13 July 2010

Reports to CMT on 30 November and 14 December 2010

Project Initiation Documents

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## 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>
Consultation:	The draft Programme has been prepared in conjunction with Project control officers, Heads of Service and reviewed by the Corporate Management Team
Legal:	None
Financial:	As set out within the report
Human Resource:	Staff resources will need to be available in order to manage the delivery of the Programme

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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