

Meeting:	General scrutiny committee
Meeting date:	Monday 11 December 2017
Title of report:	Proposed 2018/19 capital bids and approval
Report by:	Head of corporate finance

Classification

Open

Decision type

This is not an executive decision

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

All Wards

Purpose and summary

To review the proposed capital programme including proposed investment additions for 2018/19 onwards and determine whether to make any recommendations to inform and support the cabinet in developing its recommendations to Council.

Appendix 1 provides details of the proposed additions to the existing capital programme that have been identified and the impact of approving these additions.

Recommendation(s)

That:

- (a) the committee determines any recommendations it wishes to make to the executive to inform and support the development of the capital programme to be recommended to Council.**

Alternative options

1. There are no alternatives to the recommendation.
2. It is open to the committee to recommend that some or all of the proposed new capital investment options are taken forward, the opportunities identified in the report are recommended due to the needs detailed in this report.
3. It is open to the committee to recommend alternative capital investment options. No alternative options have been made to date and suggestions would require review in line with the review completed on the options presented in this report as detailed in the body of this report.

Key considerations

4. The capital programme reflects capital investment generating benefit to the county for a period in excess of one year.
5. The approved capital programme can be viewed here https://www.herefordshire.gov.uk/downloads/file/1526/capital_programme_201718 . The profiling of capital spend and forecasting against budget is reported to Cabinet as an appendix to the quarterly performance report.
6. The approved capital programme requires updating for funding secured post approval, being:-
 - a. £3,818k secured from the Departments for Transport's Tranche 2A of the Local Highways Maintenance Challenge Fund, invested in accordance with the detailed business case produced in support of the council's bid and in accordance with all award criteria;
 - b. Disabled facilities grant of £1,706k. An annual grant allocation to be spent on individual grants supporting independent living;
 - c. Schools capital maintenance grant of £1,200k. An annual grant for maintaining school properties on a highest need first basis.
7. The latest version of the approved budget and forecast outturn is provided in Appendix 2.
8. As part of the 2018/19 budget setting process, officers were requested to present priority capital investment needs for 2018/19.
9. All proposals submitted as urgent need are included in Appendix 1 along with a description of what each proposal includes. Proposals have been prioritised based on the following criteria:-
 - a. Consequence on not being included in 2018/19, high score indicates urgency;
 - b. Legal need for inclusion, high score represents a legal need to include;
 - c. Political support secured, high score demonstrates support;

- d. Linkage to the corporate plan, high score where scheme provide high level of support;
 - e. Funded, high score where the proposal has secured funding;
 - f. Deliverability, high score where the scheme is ready to go;
 - g. Risk, high score if the scheme decreases exposure to risk.
10. Each of the criteria above has been given an indicative mark out of 5, the higher the score the higher the need to include. Each proposal's score out of a maximum score of 35 is shown in Appendix 1.
11. Approval of provision in the capital programme is not an approval to proceed. Each project will be subject to its own governance and business case before any spend may be incurred.

Community impact

12. The capital investment proposals support the overall corporate plan and service delivery strategies in place. The overall aim of capital expenditure is to benefit the community through improved facilities and by promoting economic growth. A specific community impact assessment, including any health and safety implications or corporate parenting responsibilities, will be included in the decision report required prior to any new capital scheme commencing and incurring spend.
13. The code of corporate governance reflects Herefordshire Council's commitment to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review. The scrutiny of proposed additions supports adherence to the council's code of corporate governance principles.

Equality duty

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. An equalities impact assessment will be carried out prior to any new scheme commencing and will form part of the approval process required ahead of incurring capital spend

Resource implications

16. The proposed additions at Appendix 1 total £17,210k. Of this, £10,785k is proposed to be funded by capital grants, redirected funding allocations, capital receipts or returns on investment. This leaves £6,425k requiring financing from prudential borrowing. Of this the cost of financing £718k of prudential borrowing repayment costs will be funded from additional revenue streams generated by the investment, leaving £5,707k prudential borrowing to be funded by the revenue budget, £4,707k in 2018/19. The revenue implications of securing this new borrowing is supported in the current Medium Term Financial Strategy and Treasury Management Strategy which included an estimation of £5m new prudential borrowing per annum over the strategy period.
17. The additional borrowing requirement will be reflected in an update to the treasury management strategy going to full Council in January with actual borrowing being secured as cash funding is required at the optimal interest rate available at that time.
18. Individual capital scheme resourcing implications will be detailed in the approval to precede decision.

Legal implications

19. The council is under a legal duty to sensibly manage their own capital finance. The council is able to borrow subject to limits set by the council and any nationally imposed limits and it must do so in accordance with the prudential code on borrowing.
20. The Local Government Act 2003 allows the council to borrow for any purpose relevant to its functions under any enactment and for the purposes of the prudent management of its financial affairs.
21. Before approval of any individual scheme it will be necessary to ensure that the need for the scheme arises out of a legal obligation on the council for its provision. Any scheme must be procured in accordance with the council's own contract procedure rules and appropriate contractual documentation put in place to protect the council's interests.

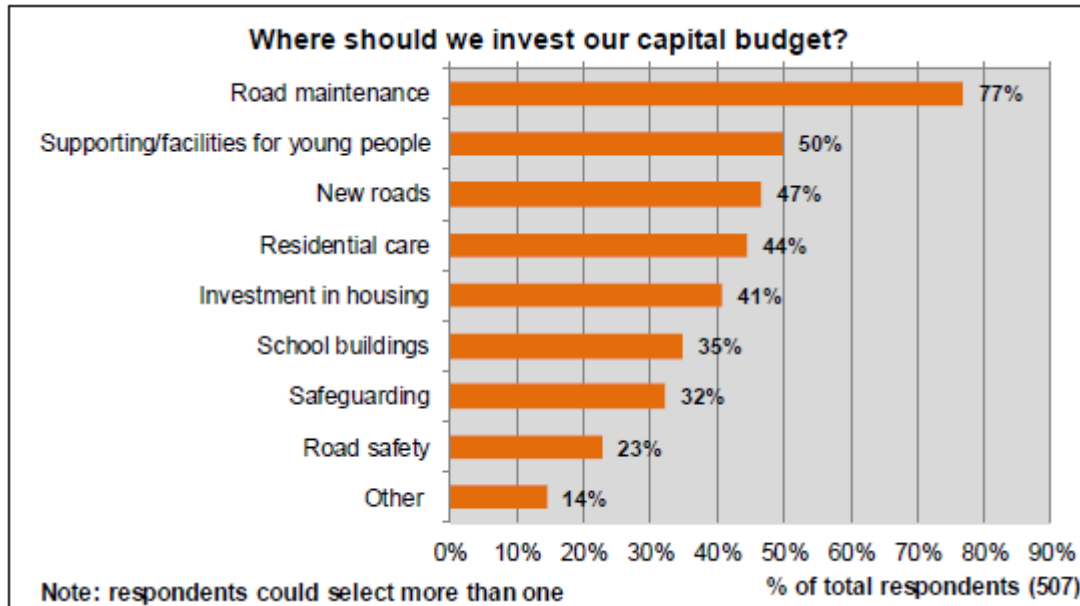
Risk management

22. Monthly budget control meetings give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures on the council's overall position
23. Capital projects inherently provide risks in their delivery, both in time and budget. Individual scheme reporting and associated project boards exist to mitigate these risks. More recently a review of capital policies and processes are underway and will lead to cascading clarity on governance and mitigating scheme risks.
24. The proposed additions have been reviewed in relation to risks, both in deliverability, costs, impact and associated scheme interdependencies. The individual scheme detail of the risks will be provided as individual schemes progress to approval to deliver.

Consultees

25. A number of proposed additions have already been made in consultation with lead members, the details of this and any wider community engagement will be undertaken

and reported as part of the decision approval to progress with an individual scheme. The proposals align to the council's corporate plan priorities consulted with as part of the budget consultation completed over the summer which asked residents on where they thought capital investment should be directed, a summary of their responses is shown below.



Appendices

Appendix 1 Proposed capital investment additions for 2018/19

Appendix 2 Current status of approved capital programme

Background papers

Proposals received