

<b>Meeting:</b>	<b>Council</b>
<b>Meeting date:</b>	<b>Friday 26 January 2018</b>
<b>Title of report:</b>	<b>Capital programme 2018/19</b>
<b>Report by:</b>	<b>Leader of the Council</b>

## **Classification**

Open

## **Decision type**

Budget and policy framework

## **Wards affected**

All Wards

## **Purpose and summary**

To approve the proposed capital programme including proposed investment additions for 2018/19 onwards.

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: the proposed capital programme for 2018/19 attached at appendix 3 be approved.**

## Alternative options

1. It is open to Council to propose alternative capital investment options. No alternative options have been brought forward to date and suggestions would require review and assessment, in line with that completed on the options presented in this report. In addition, as an amendment to proposals put forward by Cabinet any amendment would either require the consent of the Leader of the Council or further consideration by Cabinet before a decision could be taken in accordance with budget and policy framework rules.

## Key considerations

2. The capital programme reflects capital investment generating benefit to the county for a period in excess of one year.
3. The current approved capital programme and forecast outturn is provided at appendix 2. The profiling of capital spend and forecasting against budget is reported to Cabinet in the quarterly performance report which includes an up to date forecast of the timing of capital spend.
4. The approved capital programme has been updated to show additional external funding secured for 2017/18 as follows:
  - a) £3.8m 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 £1.7m. An annual grant allocation to be spent on individual grants supporting independent living;
  - c) Schools capital maintenance grant of £1.2m. An annual grant for maintaining school properties on a highest need first basis.
5. As part of the 2018/19 budget setting process, priority capital investment needs for 2018/19 have been identified.
6. All proposals were submitted on the basis of urgent need, and 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 (CP), 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.

7. 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 and detailed below:-

Scheme	Consequence	Legal need	Political support	Link to CP	Funded	Deliverability	Risk	Total
Hereford Transport Package	4	0	5	4	3	3	3	22
Marlbrook extension	3	1	3	5	3	4	3	22
Strangford closed landfill site	3	5	0	4	0	5	0	17
Gypsy & Traveller Pitch Development	2	5	4	4	2	4	0	21
Corporate Property Maintenance	3	4	0	4	0	3	3	17
Schools mobile replacement	2	4	0	5	0	3	0	14
Development Partnership activities	2	0	3	4	3	3	0	15
Leominster cemetery extension	3	2	2	3	4	2	4	20
Three Elms Trading Estate	0	4	4	4	4	3	0	19
Units 1-6 Tarsmill Court	2	0	0	4	4	5	0	15
Investment in the strategic network	4	4	5	4	4	5	3	29
Investment in bridge structures	4	3	5	4	4	5	4	29
School buildings grant	4	4	3	5	5	4	4	29
Disabled facilities grant	2	3	2	4	5	3	3	22
Children centre	3	0	5	4	5	3	3	23

changes								
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8. 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.
9. The proposals are recommended to Council by Cabinet and following consultation with the general scrutiny committee as referred to in the consultees section of this report.

## Community impact

10. 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.

## Equality duty

11. 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.

The public sector equality duty (specific duty) requires the council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in its 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

12. The proposed additions at appendix 1 total £37.2m. Of this, £20.8m is proposed to be funded by capital grants, redirected funding allocations, capital receipts or returns on investment (ROI). This leaves £16.4m requiring financing from prudential borrowing (PB). Of this the cost of financing £0.77m of prudential borrowing repayment costs will be funded from additional revenue streams generated by the investment, leaving additional costs of financing £15.7m prudential borrowing to be funded by the revenue budget, £4.7m being in 2018/19.

<b>Scheme</b>	<b>Total Request £000</b>	<b>Capital Grant funding £000</b>	<b>Redirected funding £000</b>	<b>Capital receipt funding £000</b>	<b>Funded by ROI £000</b>	<b>Corporate funded PB £000</b>
Hereford Transport Package	2,450					2,450
Marlbrook extension	4,085	1,000	1,409			1,676
Strangford closed landfill site	31					31
Gypsy & Traveller Pitch Development	360					360
Corporate Property Maintenance	740					740
Schools mobile replacement	450					450
Development Partnership activities	20,000			10,000		10,000
Leominster cemetery extension	193				193	
Three Elms Trading Estate	125				125	
Units 1-6 Tarsmill Court	400				400	
Investment in the strategic network	4,600		4,600			
Investment in bridge structures	500		500			
School buildings grant	1,200	1,200				
Disabled facilities grant	1,706	1,706				
Children centre changes	370			370		
<b>Total</b>	<b>37,210</b>	<b>3,906</b>	<b>6,509</b>	<b>10,370</b>	<b>718</b>	<b>15,707</b>

13. 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. The £5m of new prudential borrowing per annum has been increased to £6.7m pa to reflect the reduced debt repayment costs incurred following the approval of a revised minimum revenue provision policy by Council on 13 October 2017. This means that the proposals have not resulted in an increase to the borrowing repayment costs in the revenue budget over the medium term financial strategy period.
14. The additional borrowing requirement is reflected in an update to the treasury management strategy as shown in the report appearing elsewhere on Council's agenda today with actual borrowing being secured as cash funding is required at the optimal interest rate available at that time.

15. Individual capital scheme resourcing implications will be detailed in the approval to precede decision.

## **Legal implications**

16. The council is under a legal duty to sensibly manage 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.
17. 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.
18. Full council is responsible for adopting the capital investment budget (referred to above as the capital programme) for the next financial year.
19. Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on the Council's budget if he or she has an outstanding council tax debt of over two months. If a councillor is present at any meeting at which relevant matters are discussed, he or she must disclose that section 106 applies and may not vote. Failure to comply is a criminal offence.
20. In accordance with the budget and policy framework rules in the constitution the general scrutiny committee shall inform and support the process for making cabinet proposals to Council. Scrutiny considered the capital investment budget at appendix 1 (excluding the development partnership activities which has been added following the general scrutiny meeting and typographical changes since Cabinet) and 2 at its meeting on 13 December, as referred to in the consultees section of this report. As such the proposals in appendix 1 and 2 have been developed in accordance with the constitution.
21. Cabinet shall have regard to scrutiny recommendations and the responses to the consultation as have been made to it in drawing up or amending draft proposals for submission to Council, and its report to Council shall reflect those recommendations and comments and the cabinet's response to them.
22. Before approval of any individual scheme and associated spend 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.

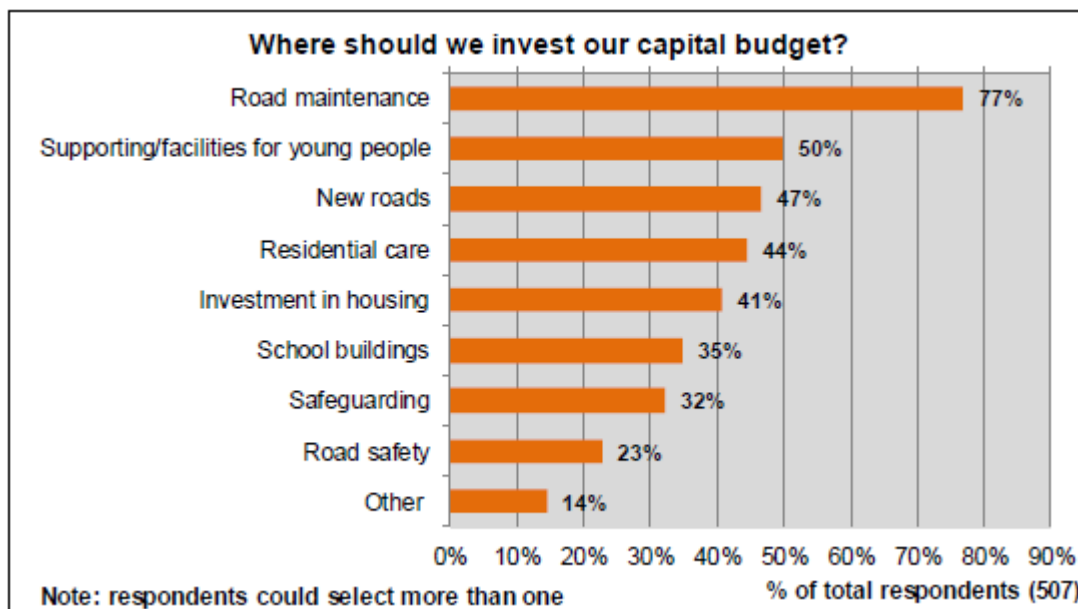
## **Risk management**

23. 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 for example through phasing of spend, identifying and securing scheme changes or alternative funding sources.
24. Capital projects inherently give rise to risks in their delivery, both in time and budget. Individual scheme reporting and associated project boards exist to mitigate these risks. A review of capital policies and processes is underway and will lead to cascading clarity on governance and mitigating scheme risks.

25. 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

26. The proposed capital programme was presented to Cabinet on 12 January, following their comments appendix 3 has been updated to provide more clarity over the funding of schemes, bring forward of spend, any budget slippage and budget totals.
27. The proposed capital programme was presented to the general scrutiny committee on 13 December 2017. The committee recommended that the council makes funding available to enable the Model Farm development at Hildersley Ross-on-Wye to proceed. In response to this a new line has been added to Appendix 1 for funding towards the development partnership activities with the detail of the activity to be provided as part of the approval to spend decision. In addition the committee asked for clarity on the proposal scores and funding, additional tables have been included in paragraphs 8 and 13 to provide this detail.
28. A number of proposed additions have already been made in consultation with lead ward members, the details of this consultation and any specific wider community engagement will be reported as part of the decision approval to progress with an individual scheme.
29. The proposals in appendix 1 align to the council's corporate plan priorities consulted with as part of the budget consultation completed over the summer which was available for all residents to respond to either online or via a hard copy response. Part of the consultation asked residents on where they thought capital investment should be directed, a summary of their responses is shown below.



30. Responses support the capital investment in the county's roads, children centres, schools and housing. Appendix 1 proposes investing £24.4m in the following schemes in which directly link to the public consultation responses:-
- Hereford Transport Package (new roads)
  - Marlbrook extension from 2 form entry to 3 form entry school (school buildings)

- c) Temporary Accommodation at schools Replacement with extension (school buildings)
- d) Development Partnership activities (investment in housing)
- e) Investment in the condition of the strategic network (road maintenance)
- f) Investment in the condition of bridge structures (road safety)
- g) School buildings capital maintenance grant (school buildings)
- h) Disabled facilities grant (residential care)
- i) Children centre changes (supporting / facilities for young people)

## **Appendices**

Appendix 1 - Proposed capital investment additions for 2018/19

Appendix 2 - Current status of approved capital programme

Appendix 3 – Total proposed capital programme

## **Background papers**

Proposals received.