

MEETING:	GENERAL OVERVIEW AND SCRUTINY COMMITTEE
MEETING DATE:	4 NOVEMBER 2014
TITLE OF REPORT:	PROPOSED CAPITAL PROGRAMME 2015/16 TO 2017/18
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To provide Cabinet with comments on the proposed additional capital investment programme for 2015/16 to 2017/18 inclusive for recommendation to Council on 12 December 2014.

Recommendation

THAT the General Overview and Scrutiny Committee provide comments on the capital proposals outlined in the report, for consideration by Cabinet

Alternative Options

- 1 The capital schemes detailed below address critical needs and there are no alternative options that do not radically effect the provision of services.

Reasons for Recommendations

- 2 The schemes summarised in this report, and detailed in Appendix 1, are recommended for approval in order to support council priorities, the realisation of savings or the mitigation of corporate risk.

Key Considerations

- 3 The current capital programme approved by Council in February 2014 is as summarised below.

Total 3 year budget 2014/15 to 2016/17						
Scheme	Spend in prior years £'000	14/15 Budget £'000	15/16 Budget £'000	16/17 Budget £'000	Sub Total £'000	Total Budget £'000
Fastershire Broadband	4,000	7,600	6,200	2,400	16,200	20,200
Local Transport Plan	n/a	10,645	-	-	10,645	10,645
Corporate Accommodation	9,673	6,211	976	-	7,187	16,860
Link Road	9,064	10,708	7,228	-	17,936	27,000
Leominster Primary School	4,451	5,729	437	-	6,166	10,617
LED Street Lighting	-	5,655	-	-	5,655	5,655
Hereford Enterprise Zone	n/a	1,967	1,467	-	3,434	3,434
Others	n/a	2,090	667	-	2,757	2,757
Schools Basic Need	n/a	1,008	634	666	2,308	2,308
Solar photovoltaic panels	293	1,841	-	-	1,841	2,134
Destination Hereford	2,207	1,054	-	-	1,054	3,261
Masters House, Ledbury	3,419	606	-	-	606	4,025
Hereford City Surface Car Parking	434	566	-	-	566	1,000
Community Capacity Grant	n/a	483	-	-	483	483
Disabled Facilities Grant	n/a	462	-	-	462	462
Yazor Brook Flood Alleviation	4,426	450	-	-	450	4,876
Energy from Waste Plant	-	11,000	14,000	15,000	40,000	40,000
Road Infrastructure	-	15,000	5,000	-	20,000	20,000
Leisure Centres	330	2,000	3,300	3,370	8,670	9,000
Disabled Facilities Grant	-	200	-	-	200	200
Closed Landfill Sites	-	76	-	-	76	76
TOTAL		85,351	39,909	21,436	146,696	

<i>Financed by:-</i>						
<i>Prudential Borrowing</i>		57,237	37,371	20,770	115,378	
<i>Local Transport Plan Grant</i>		10,645	-	-	10,645	
<i>Fastershire BDUK Grant</i>		6,100	-	-	6,100	
<i>Standards Fund Grant</i>		5,205	-	-	5,205	
<i>Destination Hereford Grant</i>		1,054	-	-	1,054	
<i>Schools Basic Need Grant</i>		1,008	634	666	2,308	
<i>Community Capacity Grant</i>		483	-	-	483	
<i>Other Capital Grants</i>		410	-	-	410	
<i>Capital Receipts Reserve</i>		3,209	1,904	-	5,113	
TOTAL		85,351	39,909	21,436	146,696	

- 4 Proposed additions to this capital programme are summarised below and detailed in Appendix 1. The bulk of schemes represent investment to improve infrastructure, supporting the local economy, housing development and the creation of job opportunities.

	Cost £000	Funding £000	Net Cost £000
Funded Schemes			
Economic Investment:			
- South Wye Transport Package	27,000	(27,000)	-
- Hereford Enterprise Zone	16,000	(16,000)	-
- Three Elms Trading Estate	2,600	(2,600)	-
Schools	1,280	(1,280)	-
Total	46,880	(46,880)	-
Essential Works (corporately funded)			
Schools	7,230	(1,612)	5,618
Other Properties	1,098	(130)	968
Cemeteries	100	-	100
Vehicles and Equipment	768	-	768
Total	9,196	(1,742)	7,454
Contingency (1% of programme)	1,467	-	1,467
Total Additional Expenditure	57,543	(48,622)	8,921

- 5 Additions to the capital programme will total £57.5m of which £48.6m is funded by capital grants or revenue savings already identified. This leaves a balance of £8.9m to be financed by prudential borrowing. This will be added to our borrowing levels within our Treasury Management Strategy. The revenue implications are detailed in the financial implications section and are indicated as pressures in our current future year's budget forecasting.
- 6 Of the £8.9m additional corporate investment need:
- £4.5m relates to Colwall School and covers the additional contribution to the cost of a new school should it not be possible to rectify the ongoing damp problems affecting the current school. Alternative grant funding has been sought and, if successful, will reduce this borrowing.
 - £0.8m relates to borrowing for vehicles and equipment where the cost of borrowing will be funded by the service areas concerned.
 - The remainder relates to property enhancements which are needed due to structural deterioration threatening closure or litigation.

Overall borrowing implications

- 7 The inclusion of the additional borrowing requirement is in accordance with our current Treasury Management Strategy which will be updated following approval to include the additional schemes.
- 8 Total outstanding debt was £168m as at 31/03/14. This is being repaid at £10m pa, being more than the investment recommended for approval in this report. Additional investment has already been approved in respect of the energy from waste plant, leisure centre improvements, road investment and Hereford link road which are all self-financing schemes.
- 9 Assuming the new investment need is approved and including all other capital investment approved to date would see an increase in our debt requirement from £168m as at 31/03/14 to £200m as at 31/03/18.
- 10 Hereford has a debt to asset percentage of 26%. This means a quarter of Herefordshire's assets are financed by debt, this is the average position for all unitary authorities and when comparing debt balance and cost to net revenue budget Hereford is in the lower (better) half of the comparative authority debt positions.

Community Impact

- 11 The capital investment need supports 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. However, the additional prudential borrowing may impact on other areas where cost savings may have to be made to ensure affordability, this is being considered as part of the budget setting proposals currently being consulted upon.

Equality and Human Rights

- 12 A full community impact assessment will be carried out prior to any scheme commencing. Current budget proposals are undergoing an Equality Impact assessment; this work will be completed in November.

Financial Implications

- 13 It is estimated that the phasing and cost of the £8.9m of prudential borrowing will be as follows:

	Capital Cost £m	Cost of Borrowing £m
2015/16	3.5	0.0
2016/17	4.8	0.2
2017/18	0.5	0.5
Future Years	0.1	12.6
	<u>8.9</u>	<u>13.4</u>

The additional borrowing will give rise to borrowing revenue costs of £35k in 2015/16, £210k in 2016/17 and £498k in 2017/18 and will continue for 25 future years. These figures comprise both interest and debt repayment and have been included in the revenue budget proposals for 2015/16 to 2017/18 as a new budget pressure.

Legal Implications

- 14 Some capital expenditure included above is proposed in order to protect the council's legal interests.
- 15 The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. 1988 Local Government Finance Act.

Risk Management

- 16 Monthly budget control meetings are chaired by the Chief Financial Officer to 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.

Consultees

17 None.

Appendices

Appendix 1 Proposed additions to the capital programme 2015/16 to 2017/18.

Background Papers

None identified.