

18 January 2017		ITEM: 8
Corporate Overview and Scrutiny Committee		
Budget 2017/18 – Capital Programme Approach		
Wards and communities affected: All	Key Decision: Key	
Report of: Sean Clark, Director of Finance and IT		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

As part of the budget process each year, the Council needs to set its capital programme for the following financial year. The future development of the Medium Term Financial Strategy will also need to take account of future capital spending plans over the period of the strategy.

Historically, the schemes have largely met operational requirements and so officers were challenged to come forward with a more aspirational programme.

This report updates the committee on the progress and approach currently being taken to bring forward proposals.

1. Recommendation(s)

1.1 That the Committee notes the progress on bringing forward capital proposals; and

1.2 That the Committee comments on an approach to delegations.

2. Introduction and Background

2.1 As part of the budget, the Council needs to set its capital programme for the following financial years. The future development of the Medium Term Financial Strategy will also need to take account future capital spending plans over the period of the strategy.

2.2 The following sources of funding are available to the General Fund:

Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings. Members will be aware that the Council reviews the asset base and there are few disposals in progress;

Grants and Contributions- these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;

Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable; and

Revenue – the Council can charge capital costs directly to the General Fund but the pressure on resources means that this is not recommended.

- 2.3 Officers were encouraged to bring forward schemes that were more aspirational, in terms of improvements to the public realm, buildings and facilities, and spend to save ideas.
- 2.4 A large number have been received and these are still going through an initial assessment of viability. What is clear is that before a full allocation can be agreed for a number of schemes – examples include a theatre, an integrated healthy living centre at Tilbury, industrial units – more detailed work is needed on their feasibility and cost-benefit analysis.
- 2.5 As such, it is recommended that these schemes are not included for full funding at this stage but that an allocation of up to £2m, to only be drawn down as and where necessary, is agreed within the programme to build business cases on a number of schemes to be considered later this year by the relevant O&S Committee, Cabinet and Council.
- 2.6 All other schemes are currently being evaluated and challenged by officers. Proposals to meet the council's more general service requirements will be brought forward for consideration in February under three categories: Invest to save; digital; and operational.

3. Issues, Options and Analysis of Options

- 3.1 In previous years, the recommendations to Council have also included delegations to Cabinet to agree additions to the capital programme under the following criteria:
 - If additional third party resources are been secured, such as government grants and s106 agreements, for specific schemes;
 - Where a scheme is identified that can be classed as 'spend to save' – where it will lead to cost reductions or income generation that will, as a minimum, cover the cost of borrowing; and
 - For Gloriana schemes – these actually also fall under the 'spend to save' criteria set out above.

3.2 No limits have been put on these delegations in the past but Members may want to consider whether a de minimis level should be introduced.

4. Reasons for Recommendation

4.1 The capital programme forms part of the formal budget setting in February and is an integral part of the Council's overall approach to financial planning.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 A number of schemes have been discussed in a number of forums but never brought forward for a budget allocation. This approach will ensure that a number of those more aspirational schemes come forward with the relevant information for Members to make a decision.

5.2 Directors' Board are currently going through a period of challenge on the various bids and further reports on the programme to be submitted later this year will go through the relevant O&S Committee and any other relevant consultation.

6. Impact on corporate policies, priorities, performance and community impact

6.1 Capital budgets provide the finance to meet the Corporate Priorities. If a capital project was not to proceed, this may impact, positively or negatively, on the delivery of these priorities and performance with a corresponding impact on the community.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

The financial implications have been set out throughout the body of the report.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Law and Governance

Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This budget report contributes to that requirement although specific legal advice may be required on each projects business case.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**
Diversity and Equalities Officer

All local authorities are required to have due regard to their duties under the Equality Act 2010. The capital programme is assessed at key stages to ensure the impact of each scheme is measured in a proportionate and appropriate way to ensure this duty is met and the needs of different protected characteristics are considered.

7. **Appendices to the report**

- There are no appendices to this report.

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