

**31 January 2019**

**ITEM: 9**

## **Corporate Overview and Scrutiny Committee**

### **Draft Capital Programme**

**Wards and communities affected:**

All

**Key Decision:**

Key

**Report of:** Sean Clark, Director of Finance and IT

**Accountable Assistant Director:** Jonathan Wilson, Assistant Director - Finance

**Accountable Director:** Sean Clark, Director of Finance and IT

**This report is public**

#### **Executive Summary**

This report presents the committee with the recommended additions and approach to the new capital programme for 2019/20 and subsequent years.

The council is undergoing considerable change and needs to be able to respond accordingly to service review outcomes, system requirements, operational necessities and the need to plan for those larger projects for the future as well as considering individual projects.

#### **1. Recommendations:**

##### **1.1 Comment on the specific proposals set out within this report.**

#### **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 (MTFS) will also need to take account of future capital spending plans over the period of the strategy.

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

- a) Capital Receipts – these are the receipts realised from the disposal of capital assets such as land and buildings;
- b) Grants and Contributions - these could be ad hoc grants awarded from government or other funding agencies or contributions from developers and others;
- c) Prudential Borrowing – the Council is able to increase its borrowing to finance schemes as long as they are considered affordable; and

- d) 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 In more recent years, only Prudential Borrowing has been available to finance the majority of schemes within the capital programme with grants only being made available for specific services such as highways.

2.4 Funding from capital receipts is likely to increase over the forthcoming financial year as a thorough review of the Council's assets is underway as part of the '3Rs' Programme – Retain, Reuse, Release. This challenges the rationale for holding the asset resulting in the classification of assets as either:

- Released (for example to dispose of immediately or develop for housing);
- Re-used (for example for different services or more intensive or changed use); and
- Retained (business as usual, little need or opportunity for change identified).

Several sites have been identified for release and the Corporate Property Team has been reviewing these to determine their redevelopment potential and has commenced a release disposal programme. This will potentially enable further funding of capital projects from the capital receipts generated and reduce the level of prudential borrowing required.

2.5 Members should note that General Fund Capital Receipts can also be used to finance Housing Revenue Account capital expenditure and has been used to good effect in securing Right to Buy buy-backs match funded with HRA resources that has helped maximise the use of Right to Buy receipts.

2.6 Annually, all services consider their future capital needs and submit bids for schemes ranging from projects in their own right to smaller schemes that are required to maintain operational ability – such as capital repairs to operational buildings and system upgrades.

2.7 In addition, the Council Service Review (CSR) process is identifying a number of service enhancements that will ultimately reduce costs or increase income. These will need to be funded as and when identified.

2.8 Finally, there are those projects that require seed funding to prepare more detailed business cases. The council agreed in February 2017 to a £2m budget provision to ensure funding is available to prepare business cases for Future and Aspirational Capital Schemes. It is recommended that this budget be reset at £2m again for the coming year and the full amount is expected to be required.

### **3 Current Programme**

3.1 Before considering the new proposals, it is worth reflecting on the allocations that have been agreed over recent years. These are summarised in Appendix

1 but, covering the period 2017/18 through to 2020/21, total over £240m with £212m still to be spent as at 1 January 2018.

3.2 The major projects that are included within the current programme include:

- 3.2.1 The widening of the A13;
- 3.2.2 Purfleet Regeneration;
- 3.2.3 Grays' Town Centre and Underpass;
- 3.2.4 Stanford-le-Hope Interchange;
- 3.2.5 Improvements to parks and open spaces;
- 3.2.6 New educational facilities;
- 3.2.7 The HRA Transforming Homes programme;
- 3.2.8 HRA New Build Schemes;
- 3.2.9 Highways infrastructure;
- 3.2.10 Aveley Community Hub
- 3.2.11 Civic Office Development; and
- 3.2.12 Improvements to the Linford Civic Amenity Site.

3.3 In addition, feasibility has been carried out in developing the future and aspirational bids and the proposed projects to be developed in 2019/20 are included at Appendix 2.

#### **4 Draft Capital Proposals**

- 4.1 As stated above, there have been a number of schemes that can be seen as projects in their own right. These have been included at Appendix 3 and will be known to the relevant Overview and Scrutiny Committee in one form or another.
- 4.2 Having reviewed all of the other capital requests, they fall within one of four categories and are summarised in the table below. The amounts have been calculated using the respective bid totals and would be under the responsibility of a relevant Transformation Board or Directors' Board for allocation and monitoring:

<b>Responsible Board</b>	<b>Examples</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Service Review	These could include new systems that create efficiencies, upgrades to facilities to increase income potential and enhancements to open spaces to reduce ongoing maintenance.	2.2	0.5	0.5
Digital	The council has been progressing steadily towards digital delivery, both with residents and amongst officers. This budget will allow for further progression as well as ensuring all current systems are maintained to current versions and provide for end of life replacement.	4.0	1.1	0.5
Property	This budget will provide for all operational buildings including the Civic Offices, libraries, depot and Collins House. It will allow for essential capital maintenance and minor enhancements.	3.2	2.1	1.5
Transformation	This budget is to provide the ability to build business cases for major projects as per paragraph 2.6. The recommendation is for an annual “top up” to bring the budget back to £2m at the start of each financial year.	2.0	2.0	2.0

4.3 In addition, the capital programme also includes the HRA, Highways and Education. These are largely funded by government grants and will be considered by their respective Overview and Scrutiny Committees and the Cabinet under separate reports.

4.4 Highways are expected to receive in the region of £2.8m per annum whilst Education are expected to receive a further £5m in 2019/20 with further allocations for free schools.

## **5 Issues, Options and Analysis of Options**

5.1 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 Thurrock Regeneration Ltd schemes – these actually also fall under the 'spend to save' criteria set out above but has not been agreed over the last couple of years.

5.2 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.

## **6 Reasons for Recommendation**

6.1 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.

## **7 Consultation (including Overview and Scrutiny, if applicable)**

7.1 The various capital bids put forward have all been considered by the service management teams and by the Directors' Board. Some projects will have also been reported separately to the relevant Overview and Scrutiny Committee.

## **8 Impact on corporate policies, priorities, performance and community impact**

8.1 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.

## **9 Implications**

### **9.1 Financial**

Implications verified by: **Jonathan Wilson**  
**Assistant Director - Finance**

The financial implications have been set out throughout the body of the report. The financial impact of the borrowing decisions has been accounted for within the MTFS.

## 9.2 Legal

Implications verified by: **David Lawson**  
**Assistant Director of Law and Governance & Monitoring Officer**

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.

## 9.3 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 keys stages to ensure the impact of each scheme is measured in a propionate and appropriate way to ensure this duty is met and the needs of different protected characteristics are considered.

## 9.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

## 10. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

## 11. Appendices to the report:

Appendix 1 – Current Programme Summary  
Appendix 2 – Update on Future and Aspirational Projects  
Appendix 3 - New Capital Projects.

## Report Author Contact Details:

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