

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Capital Programme 2015/16 (EK)

Meeting/Date: Economic Overview and Scrutiny Committee – 9th April
2015 (EK)
Cabinet - 23rd April 2015

Executive Portfolio: Councillor J Gray (JG)

Report by: Head of Operations (EK)

Ward(s) affected: All Wards

Executive Summary:

The Finance Governance Board has reviewed the bids for capital in the 2015/16 budget, taking into account the impact of the Minimum Revenue Provision (MRP). There were bids totalling £11.065m and the Board are recommending that £9.637m be approved. The 2016/17 approved budget had a MRP of £1.905m and the recommended programme reduces this to £1.776m.

Recommendation(s):

It is recommended that the Capital Programme attached at Appendix 2 is approved.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 The Finance Governance Board has within its terms of reference an action to review the capital programme and to recommend to Cabinet a Capital Programme which is affordable in the context of the financial pressures the Council is facing. All capital funding has an effect on the revenue budget and this is reflected in the budget as the Minimum Revenue Provision (MRP) and the cost of internal borrowing. Therefore, it is important that the Council in approving any capital has regard to both MRP and the cost of internal borrowing (the latter being the short-term impact of applying “working capital” to finance capital investment).
- 1.2 The Medium Term Financial Strategy has provision for a number of capital projects and it is within the remit of the Finance Governance Board to review these and ascertain if the projects are still relevant and affordable. In respect of the latter the role of the Board is to prioritise the Capital Bids within the affordability envelope of the Council’s revenue budget for 2015/16.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 All Capital projects are now assessed under the new Capital Programme scoring mechanism and this provides an overall score which can be used to prioritise schemes. The scoring mechanism has regard to the corporate objectives and a number of different factors (i.e. Net Present Value; Pay-Back Period; Risk; Impact Assessment if it does not happen). Unfortunately it is difficult for internal projects to score well under this new scheme because they do not fall within the Corporate objectives and as a result there is a need to look at whether the internal schemes are business critical and therefore should be included in the program.
- 2.2 This methodology provides a more robust analysis of capital projects, their importance to the Council’s corporate objectives and whether the schemes are affordable.
- 2.3 The Board challenged the bids and the business cases submitted. Following this some bids were removed as they were considered no longer necessary or they were a contingency. Other bids did not provide enough detail or were too generic and didn’t refer to a specific scheme. The Heads of Service concerned have been asked to look at these and resubmit with the detail required.
- 2.4 In respect of some other bids the Board considered that they could be reduced to enable the Capital Programme to be affordable and also to have some headroom for priority in year bids.
- 2.5 The bids were separated as set out in the Appendix into different categories. The first of these, the existing commitments form the basis of the programme and were left unchanged by the Board.

Schemes with an implied statutory duty, remained unchanged apart from the two schemes below which have been allocated a reduced budget. • Disabled Facilities Grants, • Wheeled Bins for New Properties.
Schemes scoring over 1000 points that were not agreed by the Board as the business case was not detailed enough or the bids were not specific enough, are listed below; • CCTV Shared Service, • Business System Replacements.
The category of schemes scoring less than 1,000 was amended to include a reduced allocation to the following schemes; • Play equipment and safety surface renewal, • Repairs Assistance.
The following schemes were removed from that category; • Town Centre Developments, • Environment Strategy Funding, • Highlode Ramsey, • S106 Play Area Projects, • Wireless CCTV, • Decent Homes Grants, • Replacement Document Centre Equipment, • Multi-Functional Devices, • Major Enhancements and Replacements PFH.
The last of the categories is loans where although money is drawn down from capital, we will receive regular principal repayments this replaces the need to make a provision for MRP.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The Board looked at a number of criteria in arriving at the recommendation for reducing the Capital Programme for 2015/16.
- 3.2 However in assessing the bids it was clear that some did not have sufficient information provided to make a decision or that the bid was generic and did not refer to a specific scheme or item. These bids were referred back to the relevant Head of Service for reconsideration.
- 3.3 Other bids the Board concluded were high priority but based on the evidence presented could be reduced in order to provide headroom in the programme for priority in year bids and still remain within the affordability envelope of the MRP. The changes to these bids are set out in Appendix 1.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

(Include, if available. If not, make reference to them being circulated separately)

- 4.1 **To be included following the meeting of the Economic Well Being Overview and Scrutiny Committee.**

**5. KEY IMPACTS/RISKS?
HOW WILL THEY BE ADDRESSED?**

- 5.1 The Board have in their deliberations sought to recommend to Cabinet a Capital Programme which is affordable and supports the Corporate Objectives but which has a managed risk approach. An example of this is the reduction in funding for the provision of grants for disabled adaptations or alterations where, because of the demographic increase in the number of older persons in the district, there will be an increased demand. However, the Board considered that with management of the payment of grants the allocation could be maintained at its 2014/15 level for 2015/16.
- 5.2 The risk for the Council in not being able approve all the Capital bids is that the some work will not be able to be progressed and in recommending the programme the Board considered these were non statutory and lower priority.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 6.1 The approved Capital Programme does impact on the revenue budget and as previously, detailed business cases will still need to be presented to the Corporate Management Team and Cabinet for approval before work can commence. This may result in some schemes being rejected at that time because of a number of reasons such as the outline presumption on pay back or income has not been supported in the detailed business case.

7. LINK TO THE CORPORATE PLAN

- 7.1 The Corporate objectives form a significant part of the new Capital Programme scoring scheme, and as a result the recommended programme supports the Corporate Plan.

8. CONSULTATION

- 8.1 The senior managers of the Council have been consulted on the new Capital Scoring Scheme and have agreed that it provides a more robust management of Capital bids and how they fit with the Corporate Plan. The exception as mentioned is business critical internal projects where their priority has to be assessed separately.

9. LEGAL IMPLICATIONS

(Comments from the Head of Legal & Democratic Services)

- 9.1 The only legal implication is the Council could be seen to be not fulfilling its legal duty in respect of funding the full requirement for Disabled Facility Grants. Otherwise there are no legal implications from approving the recommended Capital Programme.

10. RESOURCE IMPLICATIONS

(Comments from the Head of Resources)

- 10.1 The 2015/16 capital programme, as recommended by the Finance Governance Board totals £9.637m, a reduction of £1.428m against the original long list which totalled £11.065m. Of the £9.637m, only £4.637m is related to capital expenditure, the other £5.0m is relating to a potential loan to a Housing Association.
- 10.2 Due to accounting regulations, the associated MRP cost of the 2015/16 capital expenditure will not impact on the revenue budget until 2016/17. The total MRP cost for 2016/17, taking into account the proposed 2015/16 capital programme, is £1.776m. The 2016/17 MRP budget currently included within the Medium Term Financial Strategy is £1.905m, thus the proposed 2015/16 capital programme will result in a saving on MRP of £0.129m.
- 10.3 As the Council will be borrowing for this capital expenditure “internally” (i.e. from within its balance sheet), there is a consequential cash-flow cost. However, as current rates are very low, the estimated cost of such borrowing is £9,000.

11. OTHER IMPLICATIONS

(Equalities, environment, ICT, etc)

- 11.1 There are no other implications resulting from approving the recommended programme.

12 REASONS FOR THE RECOMMENDED DECISIONS

(Summary leading to the Recommendations)

- 12.1 The recommended programme was drawn from the new scoring scheme, their status and an assessment of affordability and for low scoring internal bids whether they were business critical.
- 12.2 It is considered that the programme represents one which is affordable for 2015/16 and supports the Council's Corporate Plan.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – Recommended Capital Programme 2015/16

Appendix 2 – List of Recommended Schemes

BACKGROUND PAPERS

Text

CONTACT OFFICER

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Appendix 1

Capital Scheme	Head of Service Responsible	Score	Original Draft Scheme List	Comments	FGB Scheme List	Difference between Original Bid and Proposed
			£		£	
Existing Commitments						
Huntingdon West Development	Chris Stopford	1200	1,151,000		1,151,000	0
VAT Partial Exemption Cost	Clive Mason		112,000		112,000	0
Enterprise Agreement (Microsoft)	John Taylor	600	75,000		75,000	0
Salix Projects	Eric Kendall	600	70,000		70,000	0
Pedals Scheme	Jayne Wisely	525	9,000		9,000	0
Graphical Information System	John Taylor	400	2,000		2,000	0
One Leisure St Ives - Football	Jayne Wisely	200	(53,000)		(53,000)	0
Land Sales	Clive Mason	200	(120,000)		(120,000)	0
GreenHouses	Eric Kendall	200	(235,000)		(235,000)	0
One Leisure St Neots Synthetic Pitch	Jayne Wisely	1200	118,000		118,000	0
Total			1,129,000		1,129,000	0
Statutory Duty						
One Leisure Future Improvements	Jayne Wisely	3000	231,000		231,000	0
Phoenix Industrial Unit Roof	Clive Mason	3000	200,000		200,000	0
CCTV Camera Replacements	Chris Stopford	2000	87,000		87,000	0
Disabled Facilities Grants	Andy Moffat	2000	1,250,000	Leave at level for 2014/15	1,000,000	(250,000)
Wheeled Bins For New Properties	Eric Kendall	2000	100,000	Developers pay for bins and no evidence regarding number projected	60,000	(40,000)
Total			1,868,000		1,578,000	(290,000)
Score Equal To, Or Greater Than 1000						
Vehicle Fleet Replacements.	Eric Kendall	1800	761,000		761,000	0
One Leisure Replacement Equipment	Jayne Wisely	1600	200,000		200,000	0
CCTV Shared Service	Chris Stopford	1200	2,000	Revenue	0	(2000)
One Leisure Huntingdon Development	Jayne Wisely	1200	795,000		795,000	0

Business Systems Replacements	John Taylor	1000	200,000	Not broken down to specific replacements.	0	(200,000)
Total			1,958,000		1,756,000	(202,000)
Score Lower Than 1000						
Play Equipment & Safety Surface Renewal	Eric Kendall	800	60,000	Extend life of equipment and replace with standard equipment where possible	50,000	(10,000)
Town Centre Developments	Andy Moffat	600	74,000	Delete no longer needed	0	(74,000)
ICT Replacements and Server Virtualisation	John Taylor	600	20,000		20,000	0
Environment Strategy Funding	Eric Kendall	600	55,000	Delete no longer needed	0	(55,000)
Invest to Save Proposal - Highlode (Ramsey)	Clive Mason	420	263,000	Delete no longer needed	0	(263,000)
Provision for Bin Replacements	Eric Kendall	400	54,000		54,000	0
S.106 Play Area Projects	Eric Kendall	400	48,000	Capital comes from s106 agreement	0	(48,000)
Wireless CCTV	Chris Stopford	300	290,000	Previous business case does not support spend to save proposition.	0	(290,000)
Decent Homes Grants	Chris Stopford	220	10,000	Delete as small budget little benefit retaining	0	(10,000)
Repairs Assistance	Andy Moffat	200	75,000	Reduce as part of process of removing this grant	50,000	(25,000)
Replacement Equipment Document Centre	John Taylor	200	31,000	Need procurement appraisal as leasing maybe better option	0	(31,000)
Multi-functional Devices	John Taylor	200	80,000	Need procurement appraisal as leasing maybe better option	0	(80,000)
Major Enhancements and Replacements PFH	Eric Kendall	100	50,000	Contingency sum. Specific in year bids to be made if required.	0	(50,000)
Total			1,110,000		174,000	(936,000)
Total All Schemes			6,065,000		4,637,000	(1,428,000)
Loan						
Housing Association Loan			5,000,000		5,000,000	
Total			11,065,000		9,637,000	

List of Recommended Schemes

Capital Scheme	Head of Service Responsible	Score	FGB Scheme List
			£
Existing Commitments			
Huntingdon West Development	Chris Stopford	1200	1,151,000
VAT Partial Exemption Cost	Clive Mason		112,000
Enterprise Agreement (Microsoft)	John Taylor	600	75,000
Salix Projects	Eric Kendall	600	70,000
Pedals Scheme	Jayne Wisely	525	9,000
Graphical Information System	John Taylor	400	2,000
One Leisure St Ives - Football	Jayne Wisely	200	(53,000)
Land Sales	Clive Mason	200	(120,000)
GreenHouses	Eric Kendall	200	(235,000)
One Leisure St Neots Synthetic Pitch	Jayne Wisely	1200	118,000
Statutory Duty			
One Leisure Future Improvements	Jayne Wisely	3000	231,000
Phoenix Industrial Unit Roof	Clive Mason	3000	200,000
CCTV Camera Replacements	Chris Stopford	2000	87,000
Disabled Facilities Grants	Andy Moffat	2000	1,000,000
Wheeled Bins For New Properties	Eric Kendall	2000	60,000
Score Equal To, Or Greater Than 1000			
Vehicle Fleet Replacements.	Eric Kendall	1800	761,000
One Leisure Replacement Equipment	Jayne Wisely	1600	200,000
One Leisure Huntingdon Development	Jayne Wisely	1200	795,000
Score Lower Than 1000			
Play Equipment & Safety Surface Renewal	Eric Kendall	800	50,000

ICT Replacements and Server Virtualisation	John Taylor	600	20,000
Provision for Bin Replacements	Eric Kendall	400	54,000
Repairs Assistance	Andy Moffat	200	50,000
Total All Schemes			4,637,000
Loan			
Housing Association Loan			5,000,000
Total			9,637,000
Schemes requiring more information or analysis			
Business Systems Replacements	John Taylor	1000	0
Wireless CCTV	Chris Stopford	300	0
Replacement Equipment Document Centre	John Taylor	200	0
Multi-functional Devices	John Taylor	200	0