**POLICY AND RESOURCES COMMITTEE – 23 JANUARY 2017**

**PART I - NOT DELEGATED**

**9. FINANCIAL PLANNING – CAPITAL INVESTMENT PROGRAMME**

(DoF)

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| 1. | **Summary** |
| 1.1 | The purpose of this report is to enable the Policy and Resources Committee to recommend to the Council its capital investment programme over the medium term (2016-20). This report is the second of three that is tied together under the recommendations report at Item 11 on this agenda. |
| 2. | **Details** |
|  | ***Capital Investment Programme - Expenditure*** |
| 2.1 | **Appendix 1** shows the 2016/17 revised budget and draft budgets for the period 2017/18 to 2019/20. The appendix contains the title, description and officers comments relating to the progress of the 2016/17 schemes.  |
| 2.2 | The 2016/17 programme has decreased by £55,720, of which £3,720 is an underspend on Listed Building Grants, and the remaining £52,000 is due to the rephasing of the following schemes to 2017/18:* Heritage & Tourism Initiative - £20,000
* Rickmansworth Work hub – £25,000
* Bus Shelters – £7,000
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| 2.3 | Variances to the medium term capital programme which have been identified up to the end of December (Quarter 3) and are shown in detail at **Appendix 2.**  |
| 2.4 | The capital programme includes schemes totalling £7.664 million in 2016/17 (Revised Budget), £5.726 million in 2017/18, £2.779 million in 2018/19 and £2.598 million in 2019/20.  |
| 2.5 | The larger capital schemes over the Medium Term include:* Disabled Facility Grants (£2.252 million),
* Waste and Recycling Vehicles (£1.791 million),
* Improving Play Areas (£0.906 million),
* Provision of Temporary Accommodation £1.180 million,
* Bury Lake Young Mariners (£1.0 million), and
* Grounds Maintenance Truck & Vehicle Replacements (£0.930 million).
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| 2.6 | The Committee should note that for 2017/18 there are proposals for five new schemes. Project Initiation Documents (PIDs) have been prepared and are shown separately at Item 12 on this agenda. **Appendix 3** shows the score for each bid using the scoring matrix shown in agenda item 8, ‘Financial Planning – Revenue Services’ report (Appendix 4). These bids total £453,800 in 2017/18 and £6,000 in future years. Three of the bids have revenue implications. It should be noted that the PID for Parking Services for £50,000 has already been included in the base capital programme for 2017/18. The remaining bids have not been included in the draft medium term capital programme.  |
| 2.7 | The proposed new schemes are;* Batchworth Lake access improvements - £293,800
* Aquadrome ultrasound units - £52,000
* Watersmeet replacement of boilers - £52,000
* Community CCTV - £6,000
* Car Parking Service - £50,000
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|  | *Regeneration Schemes - South Oxhey Initiative* |
| 2.8 | The development costs and the funding for this project are shown separately at Appendix 4. The progress of the scheme is monitored by the South Oxhey Project Board consisting of Council Officers and reported to Members at the South Oxhey Scrutiny Panel, and Policy and Resources Committee. This month there is a request for additional funding of £400,000 in 2017/18 due to increased project management costs. This will be met from an additional Local Enterprise Partnership (LEP) grant of £1.200 million. This was reported to the South Oxhey Scrutiny Panel at its meeting on 7 November 2016. |
|  | *Temporary accommodation – modular builds* |
| 2.9 | To relieve the revenue budget pressure, the Council has committed to construct its own units within the district. These will require capital outlay to achieve revenue income returns and also a reduction in revenue costs.The Council has already approved construction of seventeen 2-bedroom units within the district and these capital costs and revenue savings have been included in the base budgets. Future developments have been highlighted at paragraph 2.7 in the ‘Financial Planning – Revenue Services’ report (item 8 on this agenda) and the capital costs of £2.26 million have been identified but not yet included in the capital programme as this is subject to a detailed business case. |
|  | *Property investment* |
| 2.10 | The Council is considering investing in property based assets either as capital expenditure or treasury investments, depending on the nature of the asset being acquired. The overarching property investment strategy is appended to the Treasury Management Strategy shown at agenda item 10. Each individual acquisition will be subject to its own business case and the financial viability must be proven before any Council funds are committed for expenditure. |
|  | ***Capital Investment Programme - Funding*** |
| 2.11 | The Capital Investment Programme can be funded from the following sources: |
| 2.12 | Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.  |
| 2.13 | Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed. |
| 2.14 | Capital Receipts Reserve: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008, the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a ‘VAT Shelter Agreement’ whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. It should be noted that the estimate of funding available from the RTB Sharing Agreement has been increased in the light of the number of houses being sold. Other capital receipts derive from the selling of assets, e.g. land.  |
| 2.15 | Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure. |
| 2.16 | Future Capital Expenditure Reserve: The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use. |
| 2.17 | New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. The Government consulted in December 2015 on possible changes to the scheme, and local authorities responded by 10 March 2016. For 2017/18, based on the provisional settlement, the Council expects to receive £1.658 million, of which £0.794 million has been apportioned to revenue**.** Estimates for future years are harder to predict due to factors around timing of qualifying developments being completed and occupied, but realistic estimates are included in the medium term. |
| 2.18 | Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Presently, it is not proposed to borrow to fund capital expenditure in the medium-term. It is likely that some form of borrowing may be required when the full financial evaluation of the capital implications of the new leisure facilities contract is known later in the year. There may also be a requirement to borrow for property investment purposes (see paragraph 2.10). The Committee will be presented with the financial implications of these when they are known. |
| 2.19 | The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at:* £1.500 million in 2016/17,
* £1.100 million in 2017/18 and future years.

In addition, the Council is forecasted to generate:* £1.206 million of Government Grants and Other Contributions,
* £0.102 million of S106 Contributions, and
* £3.065 million of New Homes Bonus over the medium term.
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| 2.20 | **Appendix 4** shows the sources of capital funding proposed over the period 2016-2020, including the funding generated in each year and balances carried forward at the end of each year.  |
| 2.21 | **Appendix 5** shows details of all Section 106 contributions currently received and available to use.   |
| 3. | **Options/Reasons for Recommendation** |
| 3.1 | The recommendations at agenda Item 11 enable the Committee to make recommendations to the Council on 21 February 2017 concerning the Council’s budget. |
| 4. | **Policy/Budget Reference and Implications** |
| 4.1 | The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council’s Constitution. |
| 5. | **Legal, Environmental, Community Safety, Customer Services Centre and Communications & Website Implications** |
| 5.1 | None specific. |
| 6. | **Financial Implications** |
| 6.1 | As contained in the body of the report. |
| 7. | **Equal Opportunities Implications** |
| 7.1 | None specific. |
| 8. | **Staffing Implications** |
| 8.1 | The requirements for surveying expertise will be closely monitored to ensure that the capital investment programme can be delivered. Internal professional fees have been separately identified. |
| 9. | **Risk Management and Health & Safety Implications** |
| 9.1 | There are no risks to the Council in agreeing the recommendation below. |
| 10. | **Recommendation** |
| 10.1 | That the report is noted. |
|  | Report prepared by: Bob Watson Head of FinanceNigel Pollard Section Head – Accountancy |
|  | **Background Papers**Reports and Minutes of;* The Policy and Resources Committee

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|  | **Appendices** 1. Capital Investment Programme 2016-2020- Expenditure
2. Capital Investment Programme 2016-2020- Variances
3. Capital Investment Programme 2016-2020- Growth
4. Capital Investment Programme 2016-2020- Funding
5. Section 106 Balances 2016/17
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**APPENDIX 1**

**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 - EXPENDITURE**



**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 - EXPENDITURE**



**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 – EXPENDITURE**



**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 - EXPENDITURE**



**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 – EXPENDITURE**



**APPENDIX 2**

**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 – VARIANCES**



**APPENDIX 3**

**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 – PROPOSED GROWTH**



**APPENDIX 4**

**CAPITAL INVESTMENT PROGRAMME 2016 – 2020 FUNDING**



**APPENDIX 5**

 **CAPITAL INVESTMENT PROGRAMME 2016 – 2020 - SECTION 106**

