

Cabinet

22 February 2017



Title	Draft Capital Programme report 2017/18 to 2020/21		
Purpose of the report	To make a recommendation to Council on a Key Decision		
Report Author	Adrian Flynn		
Cabinet Member	Councillor Howard Williams	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	The Cabinet is asked to recommend that Council : 1) Consider and approve the Capital Programme for 2017/18 to 2020/21 2) Consider and approve the Prudential Indicators for 2017/18 to 2020/21.		
Reason for Recommendation	To allow the authority to spend its capital resources for the financial year 2017/18.		

1. Key issues

- 1.1 The report is to consider and approve the proposed Capital Programme for 2017/18 to 2020/21 in the light of the available resources and corporate priorities. The report covers progress on current schemes and includes future schemes for consideration
- 1.2 The Potential cost of the schemes proposed in the 2017/18 programme total £210.277 m broken down as follows:

Scheme	Capital Estimates 2017/18 - 2020/21						
	Estimated Programme						2020/21
	2016/17		2017/18	2018/19	2019/20	2020/21	
Original Estimate	Revised Estimate	£					£
Capital Programme Summary							
Housing Investment Programme	247,900	247,900	84,250	110,600	110,600	110,600	
Other Services Programme	16,207,500	516,607,100	210,192,300	105,600	105,600	55,600	
Total Capital Programme	16,455,400	516,855,000	210,276,550	216,200	216,200	166,200	

- 1.3 It should be noted that the Council has insufficient resources to fund the programme up to the end of 2020/21 financial year based on the current level of receipts held.

- 1.4 The use of borrowing under the prudential regime can be considered on a scheme by scheme basis where appropriate. On *an invest to save or invest to generate income scheme*, if the savings exceed potential borrowing costs then there may be a business case to borrow. The Council has pro-actively evaluated and grasped opportunities which both further the economic well-being of the Borough but also provide a net income stream for the Council. The acquisition of BP International Campus was a prime example. The Council's asset base is being kept under constant review and wherever possible additional resources will be generated from the disposal of both under performing and surplus assets.

Proposed Programme

- 1.5 All bids to go on the Capital Programme for 2017/18 have been critically assessed and reviewed by Management team and Cabinet to ensure that they meet the new Criteria of Capital expenditure. The level of spend proposed has also been revised to reflect the level of capital resources now available to finance future capital expenditure:
- 1.6 Included within the 2017/18 Programme are a number of schemes that were transferred from the 2016/17 programme. These schemes include the following,
- (a) Laleham park Upgrade -£200k
 - (b) Council Accommodation reconfiguration - £7m
 - (c) Affordable Housing Opportunity - £1.2m
 - (d) Small scale Area regeneration - £310k
 - (e) Refuse/Recycling Vehicles- £225k
 - (f) Electronic Document Management System - £108k
 - (g) Landlord Rent Guarantee Scheme - £50k
 - (h) Electronic data management and housing system. - £25k
 - (i) Air Quality - £24.5k
 - (j) Sharepoint redesign - £70k
 - (k) Agile Working - £28k
 - (l) Corporate Scanners - £31k
 - (m) CCTV Enhancement - £97k
- 1.7 There are a number of new schemes identified for the programme in 2017/18 and these are
- (a) Lighting Upgrade at Tothill multi storey car park: - £30k– Replace existing lamps with energy saving LED equivalent lamps which will generate revenue savings.
 - (b) Installation of Electric Vehicle charging points: - £15k – Install electric vehicle charging points in two town centre car parks to generate additional car parking revenue.
 - (c) Replacement Fencing at Staines miniature railway site: - £15k- Replacement of fencing around the miniature railway.

- (d) Community buildings grant scheme: - £25k – Match fund community buildings projects alongside applicants & Surrey County Council.
- (e) Replacement multi use vehicle - £80k – Replacement of vehicle used across street cleaning services.
- (f) Asset Acquisitions - £200m – Provision for asset acquisitions.

1.8 The Budget also includes provision for on- going schemes and comments on specific areas including:-

(a) Information Technology- The total budget of £204k reflects the purchase of new IT equipment and systems in implementation of the Council’s ICT strategies, including supporting greater mobile/flexible working. Any other ICT changes proposed, as per the revised capital strategy definition, will be classified as revenue and require funding as per paragraph 1.2.

1.9 A number of on -going schemes have had the basis of their funding reviewed in the new programme to ensure that the budgetary provision is in line with the expectation as to what can be achieved with the current staffing resources and prior year spends.

1.10 The resources set out below assume that the programme is funded from Capital Receipts.

Programme	Revised				
	Estimate	Estimate	Estimate	Estimate	Estimate
	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Housing Investment	248	84	111	111	111
Other Services	516,607	210,193	105	105	55
Total Programme to be Financed	516,855	210,277	216	216	166
Resources Available					
Borrowing	514,538	210,107			
Including ongoing stream of share of right to buy proceeds	2,317	170	170	124	78
(Surplus)/Deficit	0	0	46	92	88

1.11 It is an option to borrow resources under the Prudential Code as set out in paragraph 1.4.

1.12 The calculation for the prudential Indicators is attached as Appendix 4

2. Options analysis and proposal

- 2.1 The Housing Investment and Other Services Programmes have in the past been funded from Capital receipts as the use of any long term borrowing would have resulted in the loss of the Council's debt free status. However under the prudential regime, introduced in 2004, Councils now have much greater freedom to borrow for capital investment provided certain criteria are met as set out in the prudential code. Any borrowing would of course result in a charge to the General Fund for principal and interest.
- 2.2 The ability to borrow to finance capital investment does increase available resources, but would have to be set at a level that is prudent and affordable in the longer term. This option may be suitable for specific revenue enhancing projects following prudent appraisal. With current historically low interest rates there may be more potential to consider specific business cases for prudential borrowing.
- 2.3 If the option of borrowing is not pursued the programme needs to be financed from additional capital receipts through the selling of assets or a revenue contribution to Capital from the services proposing the capital works.

3. Financial implications

- 3.1 As set out within the report and appendices Recommended Capital Programme for 2017/18 is estimated at £210.277m.

Financing the capital programme from capital receipts results in a loss of investment income. An Estimate of these costs is included on appendix 2& 3, under the column headed "Interest Lost". The loss for 2017/18 has been calculated at £8,437,700 for the year.

4. Other considerations

- 4.1 There are none

5. Timetable for implementation

- 5.1 Schemes included in the Capital Programme are programmed to commence in 2017/18 and will be monitored monthly to ensure that any slippage of schemes is identified at an early date and the programme is adjusted accordingly.
- 5.2 Any schemes incomplete at the end of March 2017 may be incorporated as part of the revised programme for 2017/18.
- 5.3 Bi Monthly reports are prepared for MAT to show the current status of the schemes and presented to cabinet and Overview and Scrutiny Committee quarterly for revisions and updates to both estimates and projected.

Background papers: None

**Appendices: 1 Summary of 2017/18 to 2020/21 Capital Programme Estimates
2 Capital Project Breakdown relating to Housing
3 Capital Project Breakdown relating to Other Schemes
4 Prudential Indicators
5 Summary of 2017/18 Capital Bids**