Cabinet – 3 February 2011

Report of the Executive Director for Resources and Deputy Chief Executive

Part I - Item No. 2 (b)

Electoral Division affected: All

Capital Investment Strategy 2011/12 to 2014/15
(Appendix 'A' refers)

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Executive Summary

In setting the 2010/11 Budget, the County Council approved a four year capital investment strategy which reflected the best information then available on likely levels of capital resources going forward. Following the local government finance settlement, further capital resources are available for investment in key priorities. This report sets out the proposals for this additional capital investment over the next three years 2011/12 to 2013/14, together with an indicative programme for 2014/15.

These proposals would result in a total level of capital investment of £442.2m over the next four years in Lancashire, focussing on delivering the Cabinet's key priorities.

Recommendation

Cabinet is requested to:

(i) Make recommendations to the Full Council on 17 February 2011 on priorities for capital investment in the years 2011/12 to 2014/15, with the 2014/15 programme remaining indicative;
(ii) Note future years' commitments arising from earlier years' capital programmes into the years 2011/12 to 2014/15;
(iii) Recommend to the Full Council the Minimum Revenue Provision Statement set out in Annex 4.

Background and Advice

In setting the budget for 2010/11 the County Council adopted a four year capital investment strategy reflecting planning assumptions on the future level of capital resources. This programme now needs to be updated in light of the increased level

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of capital resources as a result of the capital settlement and developing priorities as well as adding a fourth year for planning purposes.

The report at Appendix 'A' details the resources available for future investment and the proposed changes to the previously agreed four year programme in the light of the increased level of resources available.

Although the capital settlement reflects a reduction in the level of capital resources available to the County Council, overall, it is more favourable than previously anticipated. This, together with the availability of resources freed from the Waste Infrastructure scheme, presents the Cabinet with the opportunity to direct further investment towards priority areas.

The proposals for capital investment are set out in Appendix 'A' (with detail at Annex 3) and focus on an enhanced Transport Programme as this addresses key priorities. In particular, resources are identified to progress the Heysham M6 Link and the Broughton By-Pass as well as directing additional resource to Highways Maintenance. Additional resources are also identified to support the delivery of the County Council's economic development objectives.

The level of over programming in the committed part of the programme (the first three years) is £12.7m. The view of the County Treasurer (Designate) is that this is an acceptable level of over programming in the context of the total size of the programme, the prudent assumptions made about capital receipts and the importance of a level of over-programming to prevent excessive levels of slippage. In addition, steps will be taken to "manage down" this over programming through the recycling of scheme underspends.

Given the level of uncertainty around the resource forecast beyond three years, it is proposed that the new fourth programme year remains indicative only. Currently this element of the programme is showing a level of over programming of £16.6m. This will be addressed over the coming two years with the intention of eliminating this over time without an impact on the revenue budget.

In addition, Cabinet must also consider the Minimum Revenue Provision Statement which sets out how the County Council will make prudent provision to repay the liabilities arising from capital investment. This is set out at Annex 4 and is unchanged from previous years with the exception of additions to deal with the bringing of PFI schemes on to the County Council's balance sheet; this has no impact on the Council's underlying financial position.

The approval of a revised capital programme will necessitate revisions to the Council's prudential indicators which will be reported for approval to County Council as part of the Treasury Management Strategy in March.

Consultations

Consultation has taken place with the corporate officer Capital Appraisal Group and the Executive Leadership Team.

Implications:

This item has the following implications, as indicated:

Risk management

While there is an element of over programming reflected in the proposals at Appendix 'A', it is considered that this is a manageable risk in the context of the overall programme and which will be managed over the programme period.

Financial

Detailed financial implications are set out in Appendix 'A'. However, the revenue running costs, if any, associated with any new scheme will have to be met from existing service budgets.

Legal

The Council is required to approve the Minimum Revenue Provision Policy Statement annually.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Directorate/Tel
Capital Programme Working Papers	January 2011	Paul Dobson, Resources Directorate, (01772) 534725

Reason for inclusion in Part II, if appropriate

N/A