

**Cabinet – 7 January 2010**

**Report of the Executive Director for Resources**

**Part I - Item No. 3 (b)**

Electoral Division affected:  
All

**Capital Investment Strategy 2010/11 to 2013/14**

(Appendix 'A' refers)

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### **Executive Summary**

The capital programme is a key part of the County Council's medium term financial strategy and new investment should be considered alongside the revenue budget.

The County Council's approach to financial strategy is considered by the Audit Commission to be best practice, and this approach should be mirrored within the capital programme. Therefore, as part of work to improve the management of the County Council's capital programme, a review has been undertaken of the approach to agreeing new investment in the capital programme.

It is proposed that the Cabinet consider a four year capital strategy, enabling consideration of investment priorities over the medium term thereby ensuring both revenue and capital spending plans are closely aligned. Work has been undertaken to develop a four year capital investment strategy reflecting both the new Administration's priorities and the need to continue investment in County Council assets critical to the effective delivery of services.

Proposals for capital investment over the next four years have been prepared; these have been through an initial prioritisation process and are set out for Cabinet to consider. Over the next four years, the capital investment proposals put forward for consideration (excluding schools and transport) total £65.8m.

This report therefore asks Cabinet to consider the capital investment priorities over the next four years which will form part of the budget proposals for 2010/11 which will be consulted upon over January 2010 alongside the revenue budget proposals.

As with the forecast of future revenue resources; it is anticipated that there will be significant pressure on the level of government support for capital spending as a result of the expected tightening of public finances. It is generally forecast by all commentators that capital resources will come under even greater pressure than revenue. The majority of Government support for capital projects is provided for

school and transport schemes - and as such forecasts for these capital resources reflect a 50% reduction in the three financial years 2011/12 to 2013/14. Resources for 2010/11 are not expected to change.

This report has been prepared on the basis that the policy of "passporting" capital resources for schools and transport schemes will continue over the four year period of the investment strategy. Over this period, the capital investment resources forecast (excluding schools and transport) total £53m. In addition, it is important to note that no additional prudential borrowing is planned.

As requested by the Cabinet, guidelines for the management of the Capital Programme are proposed which are designed to improve delivery and focus on an improved development of schemes.

### **Recommendation**

The Cabinet is recommended to:

1. Note the forecast level of capital resources over the next four years;
2. Consider the proposals for a four year capital investment programme which will form the basis of consultation alongside the draft revenue budget;
3. Agree the Capital Programme guidelines set out in Appendix 'A'.

### **Background and Advice**

Previously, the Cabinet has considered proposals for a programme of new capital schemes to start in the financial year. In order to fully integrate the County Council's approach to financial planning, it is proposed that an approach be developed which takes a four year view in line with the financial strategy. This will enable better planning for the delivery of schemes, and therefore, improved delivery. The four year investment strategy will be subject to annual review, as the resource position will be by no means certain over the period, and new priorities may also emerge over the as schemes and services develop.

Given the significance of this change and the importance of integrating the capital and revenue budgets proposals, the proposed capital investment strategy over the next four years is being considered in January alongside the revenue budget proposals. Both the revenue budget and capital investment strategy will be part of the formal consultation on the Cabinet's budget proposals.

The process undertaken (details of which are set out at Appendix 'A') has followed previous practice, reflecting the policy framework which "passports" resources for Schools and Transport schemes. Whilst the level of government support beyond 2010/11 is not known, substantial reductions in capital resources are expected across the public sector as a result of the current economic climate.

This is reflected in the planning assumptions for 2011/12 and beyond for the Schools and Transport blocks. As government support is a much less significant factor for

investment in other services, the resources identified for this element of the programme can be regarded as secure.

In addition, due to revenue pressures no additional prudential borrowing is planned.

As part of the consideration of the capital investment strategy, Cabinet may wish to consider the option of building in a level of over programming into the design of the programme to reduce the risk to delivery of the significant slippage that has tended to happen in previous years.

The investment proposals are made up of:

- Annual Programmes of capital investment needed to keep the organisation working. Examples include meeting inspection requirements, replacing vehicles and maintaining buildings. In addition there is specific provision for proposals to generate savings through reduced energy and water consumption.
- Specific scheme starts which concentrate on delivering investment priorities.

Subject to agreement by Cabinet a draft investment programme will form part of the budget consultation process alongside the revenue budget proposals which appear elsewhere on the Cabinet's agenda. Results of the consultation will be considered by Cabinet on 4 February together with an update of the current programme; the required statement on the minimum revenue provision and the prudential indicators.

## **Consultations**

Further consultation will take place with the District/Borough Councils, the Unitary Councils, Overview and Scrutiny, the Lancashire Local Committees, the Youth Council, the Trade Unions and the business community alongside consultation on the revenue budget.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

A four year investment strategy allows schemes to be better planned before they reach their start point on site which will reduce the risk of slippage. An effective capital programme will also allow the County Council to reduce future risks related to the maintenance of its assets and the potential of the ownership of assets that are not fit for purpose.

## **Financial**

The financial implications are outlined in Appendix 'A' and the accompanying annexes. Following the consultation period it will be necessary to update both the County Council's Prudential Indicators and the Minimum Revenue Provision

Statement in order to fully reflect the implications of the final programme within the financial framework for approval by County Council.

**Property Asset Management**

Elements of the proposed programme are specifically aimed at improving the quality of the County Council's asset base.

**Any representations made to the Cabinet prior to the issue being considered in accordance with the Public Notice of Forward Plans**

Name:	Organisation:	Comments:
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N/A

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

Paper	Date	Contact/Directorate/Tel
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N/A

**Reason for inclusion in Part II, if appropriate**

N/A