The Report of the Executive

The Executive met on Tuesday 16 October, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors Andrew Backhouse, Arthur Barker, Eric Broadbent, Geoffrey Cullern, Ron Haigh, Michael Knaggs, Martin Smith and Peter Sowray.

The Executive met again at County Hall, Northallerton on Tuesday, 30 October, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers and Clare Wood.

Also in attendance:- County Councillors Keith Barnes, Bill Barton OBE, Tony Hall and Michael Knaggs.

The Executive met again at County Hall, Northallerton on Tuesday, 6 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Liz Casling, Geoffrey Cullern, Ron Haigh, Tony Hall, Michael Knaggs, Pat Marsburg, Paul Richardson, Martin Smith and Mark Wheeler.

The Executive met again at County Hall, Northallerton on Tuesday, 20 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Bill Hoult, Gillian Ivey. Shelagh Marshall, Paul Richardson, Martin Smith, Peter Sowray and Melva Steckles

The Executive met again at County Hall, Northallerton on Tuesday, 27 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Mrs M.A de Courcey-Bayley, Ron Haigh, Tony Hall, Paul Richardson and Peter Sowray.

The Executive met again at County Hall, Northallerton on Tuesday, 4 December 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors John Blackie, Eric Broadbent, Geoffrey Cullern, Heather Garnett, David Lloyd Williams, Paul Richardson, Martin Smith, Peter Sowray and Tim Swales.

The Executive met again at County Hall, Northallerton on Tuesday 11 December 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors Heather Garnett, Michael Knaggs and Paul Richardson

1. Capital Plan: The Capital Plan is a detailed 3 year programme that sits at the front end of the longer term 10 year Capital Forecast, which was developed as part of the County Council's Medium Term Financial Strategy MTFS. The Executive recommends updating this Capital Plan in the light of policy and operational developments; recently notified Education capital approvals from 2008/09; and by adding a further year (2010/11). A summary of each Directorate's Plan, analysed into the main areas of capital spending, is attached as Appendices 1A to 1D.

This updated Capital Plan is based on the version approved by Executive on 21 August 2007 but incorporates the following:

- the addition of a further year (2010/11) to the Capital Plan based on the pre existing 10 year Forecast approved in February 2004 as adjusted for agreed subsequent refinements.
- additions or variations to schemes that are self funded (ie through grants, contributions, revenue contributions and earmarked capital receipts). This includes Education Capital approvals for the years 2008/09 to 2010/11.
- variations in spend profile and/or allocations received in relation to schemes funded by specific supported borrowing approvals from the Government (including Education Capital approvals for the years 2008/09 to 2010/11).
- identified re-phasing of expenditure between years.
- virements between schemes resulting from variations in scheme costs (eg arising from a tender process) and ongoing, re-assessment between priorities within a Directorate's finite control total.
- additional capital schemes approved by the Corporate Asset Group (CAG) and Executive for inclusion in the Plan.
- various other miscellaneous refinements.

An overall summary of the plan at Directorate level, together with changes compared with the last version, is attached as Appendix 1E.

The lastest gross spend Capital Plan position at Directorate level is:

Directorate	Appendix	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Adult and Community Services	**A**	3.3	9.7	6.7	8.5
Business and Environmental Services	**B**	59.1	46.1	40.2	31.0
Children and Young People's Service	**C**	39.5	45.1	44.9	42.0
Other County Services	**D**	10.6	4.6	1.8	1.4
Total		112.5	105.5	93.6	82.9

This indicates a planned gross capital spend of £112.5m in 2007/08, £105.5m in 2008/09, £93.6m in 2009/10 and £82.9m in 2010/11 but these totals include a number of significant individual schemes and provisions, as follows:-

Directorate/scheme	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Children and Young People's Service				
Modernisation programme block provision	2.1	1.9	8.1	8.9
Children's Centres	3.9	6.8	2.6	1.5
Building Schools for the Future	6.0	12.2	12.2	-
Devolved Capital funding to schools	9.2	7.4	6.9	12.0
School Self Help schemes	5.0	4.9	2.5	2.5
Targeted Capital Fund	-	-	0.3	4.0
ICT Targeted Capital Fund	-	1.7	4.4	3.9
BES				
Highways LTP	28.1	28.6	26.9	27.6
Depots Rationalisation Programme	5.2	7.7		
Scarborough Integrated Transport	18.5	7.1	0.1	1.4
Waste Strategy		0.4	10.9	
Adult and Community Services				
Our Future Lives Schemes	1.2	5.6	5.1	8.1
Other County Services				
Loans to Limited Companies	2.4	2.0		
	81.6	86.3	80.0	69.9
All other schemes and provisions	30.9	19.2	13.6	13.0
Total	112.5	105.5	93.6	82.9

A few individual schemes and provisions make up about 80% of the total planned capital spend in each year and any slippage or delays in these individual schemes will therefore have a significant consequential impact on financing requirements.

For the Capital Plan update there has been a re-phasing of £5.3m from 2007/08 to subsequent years. Of this sum, £1.4m is self funded from grants and contributions and £3.9m funded from a combination of capital receipts and borrowing. The areas of rephasing are:

	£m
Schools Access initiative (CYP)	0.6
Childrens Centres capital (NYCC funding) (CYP)	1.1
Waste Disposal Service	0.7
Scarborough Integrated Transport	0.7
Rephasing of various other schemes (balance)	2.2
	5.3

The rephasing figures shown for 2008/09 and subsequent years reflect two other significant factors. Firstly, a provisional phasing of spending between years of the recently announced Education capital approvals for the three years 2008/09 to 2010/11. Secondly, the addition of a new year (2010/11) to the Capital Plan has resulted in expenditure already included in the Q1 Capital Plan, within the later years total, being phased into 2010/11. This additional year shows a gross capital spend of £82.9m, with a breakdown into major schemes and provisions and how they are financed shown in Appendices 1F and 1G. The addition of 2010/11 to the detailed Capital Plan at this stage does not preclude further refinements as part of the 2008/09 Budget and MTFS process. No new schemes and provisions are reflected in this additional year, with items only being included on the basis of:

- schemes and provisions for 2009/10 approved in 2004 as part of the extended 10 year Capital Forecast.
- being self financed from capital grants, contributions and revenue contributions.
- being financed from estimated Supported Borrowing approvals for 2010/11.
- capital expenditure has previously slipped from the years up to 2009/10 and was shown in the Capital Plan as 'later years'. A proportion of this has now been phased into 2010/11 with the rest remaining as 'later years' spending.

A number of annual Capital Provisions are based on approvals from Government departments which are funded from a combination of supported borrowing approvals and capital grants. Firm allocations have been received for 2007/08 and Education Capital allocations for 2008/09 to 2010/11 have also recently been received. Updated allocations for the three years 2008/09 to 2010/11 in other areas such as Highways, LTP are expected as part of this year's Local Government Finance Settlement. This year's settlement is expected to see the first proper 'three year settlement' to tie in with the period covered by the recently announced 2007 Comprehensive Spending Review.

The Executive has considered progress on significant projects and variations reflected in the updated Capital Plan. The total estimated cost of the Highways Depots Rationalisation Programme has increased by £4,081k, funded from an increased value of capital receipts of £1,010k with the resulting increased net shortfall of £3,071k being funded from Prudential Borrowing.

Key issues are:

- the overall latest net funding shortfall to be financed from Prudential Borrowing is now £3.8m.
- the Executive approved a ten year pay back period in relation to the net borrowing costs of £3.8m (approximately £0.5m per annum principal and interest). These costs are to be funded by BES from salt savings, etc, resulting from the rationalisation programme.
- capital receipts are estimated to be in the range of £11.7m to £13.7m and a working assumption of £12.7m has been made at this stage.
- if capital receipts are less than £12.7m and it is not possible to absorb this loss in the approved Programme costs, it would then be necessary to seek further approval for additional Prudential Borrowing.

Whilst full commitment is in place to keep within the current net cost of this project, the profile of expenditure is subject to variation, given the nature of the programme, although specific instructions have been issued to consultants that build costs are not to be exceeded. Specifications will be reduced, if necessary, to ensure no further increase in costs.

Capital Plan provision for the Waste Procurement Project was made following a report on the Waste Management PFI. The County Council is securing land options for potential residual waste facilities and for front end infrastructure, including a materials recovery facility and transfer stations throughout the County. The City of York Council is also making a contribution of 25% towards the cost of any sites for residual waste facilities. It may be that the County Council secures options on sites but does then need to take up such options, as PFI bidders indicate that they have sites available which they would prefer to develop. Significant progress has been made in relation to sites and the table below represents a significant reduction in estimated capital funding required for the project, compared with earlier provision:

Item	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Capital					
Q1 Plan					
Residual Waste Treatment	498	6,875	-	-	7,373
Front end infrastructure	2,244	-	14,150	-	16,394
City of York contribution	-125	-1,719	-	-	-1,844
= balance from Prudential Borrowing	**2,617**	**5,156**	**14,150**	**-**	**21,923**
Q2 Plan update					
Residual Waste Treatment	-	-	-	-	-
Front end infrastructure	-	400	10,887	-	11,287

City of York contribution	-	-	-	-	-
= balance from Prudential Borrowing	**-**	**400**	**10,887**	**-**	**11,887**
Reduced Capital provision/ Prudential Borrowing	**-2,617**	**-4,756**	**-3,263**	**-**	**-10,636**
Leases (Revenue) Q2					
Residual Waste Treatment	-	-	75	239	
Front end infrastructure	-	-	249	317	
City of York contribution	-	-	-19	-60	
Net NYCC	-	-	305	496	

It should be noted, however, that this reduction of £10.6m in forecast capital expenditure is predominantly due to:-

- landowners agreeing to leases on sites rather than outright capital purchase. The lease is treated as revenue expenditure which will have to be funded through the revenue budget for the Waste PFI "in lieu" of the revenue charges arising from Prudential Borrowing
- the number of transfer stations being procured, either through lease or outright capital purchase, is reduced by 3. This is principally due to existing infrastructure in parts of the county
- the programme for front end infrastructure has been revised in order to ensure better fit with the PFI Project for residual waste facilities and the potential interim solution which is currently under procurement. This revised programme will not have any impact upon the timing of the PFI Project for residual waste facilities.

It is important that capital funding remains available in the event that other sites are identified as suitable for the PFI Project. Any sites secured on an options basis will only be exercised in the event of a successful planning outcome. It is therefore unlikely that all options will be exercised, thereby reducing further the overall capital cost and subsequent prudential borrowing/lease costs of the sites.

The Revenue Budget for 2007/08 and the Medium Term Financial Strategy for 2008/09 to 2010/11 will include revenue provision to meet the lease costs and any associated prudential borrowing costs. This Budget provision will be revised accordingly as more up to date site information is gathered.

The latest expenditure forecasts and profile for the Scarborough Integrated Transport (SITS) and Reighton Bypass Major Schemes are:

item	SITS	Reighton Bypass
	£000	£000
Expenditure to 31 March 2007	3,485	4,217
2007/08	18,541	2,661
2008/09	7,107	55
2009/10	50	
2010/11	1,353	
gross expenditure	30,536	6,933
Funded from		
Grant	29,786	4,334
County Council (presently LTP)	750	383
Supported Borrowing approval	-	2,216
total funding	30,536	6,933

The SITS scheme is scheduled to complete in summer 2008. At this stage the scheme is expected to be achieved within budget. An overspend of £383k, to be funded from the Local Transport Plan, is expected on the Reighton Bypass scheme (from £6,550k to £6,933k). This represents compensation events agreed with the works contractor.

The waste disposal service programme is under review. Options have been produced and are actively being reviewed in preparation for submitting a report as soon as possible for consideration by the Executive. Slippage on the programme reflects the latest expenditure estimates on the schemes already underway.

The Department for Transport (DfT) are consulting on future years allocations for the Local Transport Plan. The Capital Plan has been amended to reflect the latest expected future allocations, both in terms of gross expenditure and the split between direct grant and supported borrowing approvals. Allocations and funding splits will be confirmed as part of the LTP Settlement expected in December 2007.

Based on the above updated Capital Plan provision is:-

item	2007/08 Allocation	2008/09 Forecast	2009/10 Forecast	2010/11 Forecast
	£000	£000	£000	£000
Integrated Transport Block allocation	9,025	8,792	8,650	8,471
Maintenance	17,218	17,614	18,241	19,153
Total	26,243	26,406	26,891	27,624
Financed from				

Supported Borrowing approval Capital Grant	21,635 4,608	18,214 8,192	18,718 8,173	19,220 8,404
Total	26,243	26,406	26,891	27,624

The Capital Plan has been updated to reflect Education capital allocations for the years 2008/09 to 2010/11 which have recently been announced by the DCSF.

funding approval	2007/08 As previously notified	2008/09 (Oct 2007)	2009/10 (Oct 2007)	2010/11 (Oct 2007)
	£000	£000	£000	£000
100% Capital Grant				
Devolved Capital	12,445	12,030	11,981	11,981
Extended Schools		1,010	1,070	553
ICT harnessing technology	5,042+	4,719	4,374	3,895
Targeted Capital Fund			2,000	6,000
Childrens Centres Phase 3	4,114*	983	2,621	1,511
Primary Capital Programme			4,794	7,172
sub total	21,601	18,742	26,840	31,112
100% Borrowing approval				
Basic need – new pupil places	1,863	2,993	2,993	2,993
School access initiative	1,050	1,194	1,194	1,194
sub total	2,913	4,187	4,187	4,187
Mix of grant/borrowing approval				
Primary Modernisation				
- grant	1,020		1,734	3,887
- borrowing approval	2,379	4,092	2,732	447
Secondary Modernisation				
- grant	1,113		1,918	4,299
- borrowing approval	2,596	3,700	2,470	404
sub total	7,108	7,792	8,854	9,037
	31,622	**30,721**	**39,881**	**44,336**
Summary				
Capital grant	23,734	18,742	30,492	39,298
Borrowing approvals	7,888	11,979	9,389	5,038
	31,622	**30,721**	**39,881**	**44,336**

+ includes £1,273k matching funding provided by the County Council

* 50% of 2 year allocation for Children's Centres Phase 2

At this stage the DCSF announcement has provided only the total allocations with no details regarding policy priorities or the 'rules' for the use of the funds. These details will not be known until later in the year, perhaps even delayed for some allocations to 2008. Some details are known from the publication of the DCSF 'responses' to a consultation exercise. CYPS is developing its spending plans in advance of the outstanding announcements, with the aim of submitting detailed proposals for approval in February 2008. In relation to Schools Developed Capital, there are some changes to reduce the allocations for modernised schools, but otherwise it seems that schools will receive allocations at similar levels to the current year. The approvals shown in the table above have been reflected in the Capital Plan, based on a very initial provisional profile of programme spending in each year, bearing in mind that, at this stage, no decisions on the schemes to be funded from these allocations have been taken.

These latest allocations reflect a change of funding source on the Modernisation programme allocations as follows:-

year	Grant		borrowing approval		total
	£000	%	£000	%	£000
2007/08	2,133	30	4,975	70	7,108
2008/09	-	-	7,792	100	7,792
2009/10	3,652	41	5,202	59	8,854
2010/11	8,186	91	851	9	9,037

At this stage the reasons for the different percentage split each year (borrowing approvals are 70%, 100%, 59% and 9% over the four year period) are not known. One implication of these funding allocations is that approximately £4m (from £7.9m to £12m) of additional borrowing will be required, in 2008/09, to support the Supported Borrowing approvals, with consequential loan charges impacting on the MTFS. Revenue Support Grant calculations will reflect these borrowing approvals but, if severe 'grant damping' continues as in previous years, then the ultimate additional grant received is likely to fall well short of the extra loan charges incurred.

Earlier in the year the Executive agreed to the submission of a bid for Big Lottery funding for a scheme to remodel Harrogate Library to provide improved services. In terms of the Lottery bid, this was based on redefining the way that Library Services are delivered in Harrogate to meet local needs. The intention has been, by working closely with the local voluntary and community sectors, to develop and deliver services such as health promotion, adult learning, intergenerational work and volunteering opportunities for which there is a known demand. The aim of the scheme is to create an innovative new library space that will be attractive to all sectors of the community, particularly older people, which will redefine the internal space of the facility. The bid recognised that the scheme will also offer a one stop shop for council and other agency services which will be met out of the County Council's contribution to the overall funding of the scheme. At the time the bid needed to be submitted, some preliminary feasibility work had been carried out on how the library space might be remodelled. There were a range of issues about the suitability and deliverability of that scheme, it provided the basic cost framework of £3.1m, for works costs and fees, but excluded the costs of shelving and other fitting out. This cost envelope has been used in the feasibility work that has continued during the summer. In terms of the service outcomes being sought, the Big Lottery has been able to grant the maximum grant available, £1.5m under this scheme for Community Libraries. To confirm the availability of that grant a detailed business case will need to be submitted by April 2008.

Detailed work needs to be completed on the new feasibility scheme. Two important issues remain to be finalised. The first is that there are certain structural issues inherent in the current library that need to be resolved before the practicality of a final design can be confirmed. The second is the acceptability of design options, bearing in mind that the library is a Grade 2 listed building. At this point, however, it appears that the scheme is practical within the previous cost envelope of £3.1m for works and professional fees. The estimated cost of the specialist library furniture and fitting is £300k. Consideration is being given to the business case for a large scale use of Radio Frequency identification (RFID) technology, which allows scope for customer self service and improvement of stock management. Investment in this technology, which would cost £160k at today's prices, would open up the possibility of revenue savings.

The feasibility work has looked carefully at whether there is any possibility of maintaining a reduced level of service within the building during the works period. This will not be possible, and so decisions will be required on how appropriate temporary arrangements can be made during the closure period. This is likely to last from around November 2008 for a period of approximately 2 years. The revenue implications of those temporary arrangements, and the need for possible alteration/improvement costs to any premises brought into use, still needs to be determined. Because the scheme design and costings are not yet finalised, the indicative costs noted above have not been included in the Capital Plan. There will be a fuller report to the Executive to deal with this scheme in more detail, and the inclusion in the formal Plan can be reflected at the next update.

The background to loans to companies in which the County Council has a controlling interest was reported to Executive as part of the 2006/07 Capital Plan update. The latest assessment of take up now reflected in the 2007/08 Capital Plan is:

Company	Actual 2006/07	2007/08	2008/09	Total
	£000	£000	£000	£000
Yorwaste	1,700	-	2,000	3,700
NYnet	1,553	2,447	-	4,000
total	3,253	2,447	2,000	7,700

- the loan facilities agreed with the two companies are intentionally flexible and, therefore, the total loans eventually taken up and their phasing between years is likely to differ from those shown in the table. Future Capital Plan updates will, however, be adjusted to reflect the latest known position.

- the loans are treated as capital expenditure which is then financed by additional Prudential Borrowing. Repayments by the companies will then constitute capital receipts, which will reduce subsequent Prudential Borrowing, which will be a broadly neutral position over time.

- Prudential Borrowing for these loans will be taken internally from surplus cash balances rather than new external debt.

- the revenue impact of this internal Prudential Borrowing, in terms of 'lost interest earned' and a statutory 4% Minimum Revenue provision for debt repayment, will be financed from interest charged to the companies and subsequent loan repayments.

- the loans are reflected in various Prudential Indicators that are affected by capital spending, including the Capital Financing Requirement and debt limits.

Capital Plan provision for the Thurston Road office accommodation project was made in 2006/07, following consideration of a report in relation to the Bright Office Strategy – future accommodation needs, when the Executive agreed to an acquisition and disposals programme for office accommodation in the Northallerton area. The project provides accommodation for over 240 staff from various Directorates utilising 186 workstations and shared facilities. The 2007/08 Capital Plan provision for this project has now been updated, to reflect the latest forecast of costs and capital receipts from the disposal of released properties, as follows:-

item	Q1 Capital Plan	Q2 Capital Plan update	Difference
	£000	£000	
Capital Plan provision for building purchase and associated costs			
2006/07	1,366	1,366	-
2007/08	1,752	2,058	+306
Total	3,118	3,424	+306
Financed from			
capital receipts from the disposal of related properties	1,950	1,891	-59
Other capital receipts	1,168	1,533	+365
Total	3,118	3,424	+306

The total cost of the project is therefore now £306k more than originally approved. This increase is a result of modifications to the building specification, for example the inclusion of CCTV and automatic doors, as well as the cost of eco-friendly features such as daylight sensitive lighting and the natural ventilation system, which were not included in the original cost estimates. A number of these features will yield additional savings in running costs over the years. The net cost of the scheme increases by £365k (from £1,168k to £1,533k). This results from the cost increases of £306k together with the latest forecast of capital receipts from the disposal of released properties being £59k lower than originally estimated. The increased cost does not fundamentally alter the judgement in the approved business case presented to Executive that the project will generate an NPV surplus over 20/25 years. This business case was based purely on the physical costs of the project and did not attribute any value to the efficiency gains that can be realised by management once staff are in the building.

The latest financial position on the Northallerton Thurston Road project includes forecast capital receipts of £1,891k from the disposal of related properties. This sum includes £450k for the East Road offices, which are currently being considered for use as a Pupil Referral Unit (PRU). If this development does go ahead, East Road will therefore transfer to CYPS and no ‘cash capital receipt’ will be received towards financing the Thurston Road project. However, to balance the books, the Thurston Road project would be credited with the £450k value of East Road offices which would be funded by reducing the CYPS Capital Plan by £450k, in lieu of that Directorate not having to buy an alternative property on the market.

The financing of the updated Capital Plan is summarised as:-

Source	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£m
Forecast sources of finance				
Borrowing	47.3	38.0	45.8	31.9
Grants and contributions	58.0	47.6	41.5	44.1
Schemes financed from revenue	3.5	6.4	2.3	2.9
Capital receipts	13.0	14.1	4.0	4.0
= total forecast capital funding	121.8	106.1	93.6	82.9
- Updated Capital Plan	-112.5	-105.5	-93.6	-82.9
- Funding from 2006/07 held against SITS risk	0.7			
= potential unallocated capital resources	8.6	0.6	-	-
Total available over period to 2010/11			9.2	

There is potentially £9.2m of unallocated capital funding that might (depending upon the realisation of forecast capital receipts) become available in the four year period to 2010/11. This sum arises principally from additional capital receipts that have built up over a period of time and includes a number of properties identified for disposal for some time, which have only recently had a specific monetary value placed on them by Bruton Knowles, the County Council's property agents, and a number of County Farm sales which have unexpectedly become possible in recent months. A potential commitment against the £9.2m surplus capital resources, however, is a matched contribution towards the Harrogate Library Lottery Funded scheme of about £1.6m.

The remaining £7.6m could be made available for either:

(i) new capital investment (ie additional schemes), or

(i) reducing prudential (unsupported) borrowing in 2007/08, 2008/09, 2009/10 or 2010/11 and therefore achieving financing cost savings in the Revenue Budget, or

(iii) holding for the time being with no immediate decision to either spend or reduce borrowing. This course of action would result in additional short-term interest being earned within Corporate Miscellaneous.

The Executive has agreed to retain any surplus capital funding for the time being, recognising that the forecast funding levels include a capital receipts risk in terms of both forecast receipts slipping into a future year and/or not achieving their assumed estimate.

<u>The Executive RECOMMENDS:</u>

That the updated Capital Plan, summarised at Appendix 1E, be approved.

2. Corporate Risk Management Policy and Strategy: The County Council formally adopted the current Corporate Risk Management Policy and Strategy in July 2005, with a provision that it should be updated and reviewed every two years. It has now been examined by the Audit Committee and Executive.

The Policy expresses fundamentals such as the County Council's objectives and basic principles of risk management. It is therefore unlikely the text of this document will need to change much over time and it has not been amended, other than for minor typographical corrections.

The Strategy identifies what is required to implement and achieve the Policy. This document has been amended taking into account:

- Changes to the County Council's organisational structure during the last two years.

- Changes in the ad hoc working groups linked to the Corporate Risk Management Group.

- Changes to the software used for annual updates of risk registers and development of new risk registers.

- Extra requirements from new legislation best practice guidance relating to risk management compliance such as CPA Use of Resources criteria, Internal Audit reports and CIPFA/SOLACE.

The Risk Management Strategy would normally be accompanied by a detailed 2 year action plan. The plan has been substantially revised and redrafted but, due to the recent publication of new best practice guidance in relation to corporate governance and updated criteria relating to risk management in the CPA Use of Resources, the opportunity should be taken to cross reference the updated plan to these new documents to ensure there are no omissions from the plan. An updated Risk Management Plan will therefore be submitted for approval to the next meeting of the Audit Committee.

Under the terms of the Risk Management Policy and Strategy, risk registers are maintained at Corporate, Directorate, Business Unit and some section levels, as well as for certain individual projects. Each year there is a review of the Corporate Risk Register (CRR). This is carried out by facilitating a workshop to update risks, risk rankings and consequent management actions by utilising a networked piece of software called RisGen. The review has entailed both a "bottom-up" and "top-down" process. Thus the risks identified at Business Unit, and Directorate level have been "sieved" to identify generic themes and/or highly significant risks. At the same time, the Chief Executive and Corporate Directors have sought to identify significant corporate risks that may not necessarily surface at individual Business Unit or Directorate level. The result is six corporate level risks, the top two of which are the waste strategy and the ability to deal with internal emergencies effectively. These risks are ranked highly because, if the risks involved are not addressed but did materialise, they would almost certainly have a major impact on the County Council and its ability to maintain services. The Corporate Risk Register has been updated by Management Board and, on the recommendation of Audit Committee and the Corporate Affairs Overview and Scrutiny Committee has been approved by the Executive.

The Executive RECOMMENDS:

That the updated Corporate Risk Management Policy and Strategy, as set out in Appendix 2 to the report, be approved.

3. Corporate Procurement Strategy and Corporate Procurement Strategy Implementation Plan: The current versions of the Corporate Procurment Strategy (CPS) and Implementation Plan (CPSIP) were approved by the County Council in July 2005 and aspects of both documents are out of date. Bearing in mind the increasing focus on procurement within the CPA Use of Resources assessment and in relation to achieving efficiency savings, it is felt appropriate that new editions should be endorsed.

A review of the contents of the CPS and the CPSIP has been undertaken and the documents have been considered by the Corporate Procurement Members' Working Group. In putting forward updated editions, it was accepted that there are further changes in the pipeline which are anticipated to have an impact on the County Council, including

(i) the Yorkshire & Humber Regional Centre of Excellence being replaced by Local Government Yorkshire & Humber on 1 April 2008. The impact this will have on Y&HRCoE's procurement work is not clear at this stage.

(ii) issue of further guidance by IDeA/LGA on Sustainability and Procurement. The present guidance is in draft form and no publication date has been announced for a final version.

(iii) CSR07, with the expectation of significant year on year efficiency savings. The DCLG issued "Delivering Value for Money in Local Government : Meeting the Challenge of CSR07" on 9 October 2007. At national level, efficiency savings of £9.6bn are expected over the three years 2008/09 to 2010/11 and 57% of this (£5.5bn) is targeted to come from "smarter procurement".

The Working Group agreed the updated versions of the CPS and CPSIP, subject to minor changes which have been incorporated into the versions attached to this report. The Working Group also committed themselves to reviewing the CPS and the CPSIP on an annual basis to ensure the documents are relevant to the County Council's policies and objectives and in step with regional and national practices. In addition, the Executive will receive progress reports on corporate procurement based on those being provided to the Corporate Affairs Overview and Scrutiny Committee.

The parts of the documents that have significant changes are:-

Corporate Procurement Strategy

- Foreword
- Para 21 - Diversity and Equality
- Para 25 - Doing Business Electronically
- Para 26 - Procurement Training & Development
- Para 37 - Ensuring Good Access for All
- Para 50 - Working with Partners

Corporate Procurement Strategy Implementation Plan

- Paras 18 - 20 - Regional Centre of Excellence
- Para 30 - Providing Leadership and Building Capacity
- Para 35 - Partnering and Collaboration
- Paras 37 & 39 - Doing Business Electronically
- Paras 43, 45, 47 & 48 - Stimulating Markets & Achieving Community Benefits
- Paras 50 & 51 - Corporate Contracts Register
- Paras 53 & 54 - Annual Procurement Plans
- Para 56 & 57 - Spend Analysis : Methodology

The Executive RECOMMENDS:

That the updated version of the Corporate Procurement Strategy and Implementation Plan, attached as Appendix 3 to the report, be approved.

4. Changes to the Constitution: The Contract, Financial and Property Procedure Rules form part of the Constitution of the County Council and it falls within the Audit Committee's terms of reference to review and recommend to the Executive changes to those rules. Because the rules govern activities that officers undertake on a daily basis, it is inevitable that suggestions for addition or amendment emerge on a continuous basis. For practical purposes, however, officers conduct an annual review for various procedure rules, although it is accepted that particular circumstances may arise that require urgent changes to be made at other times of the year. As a result of the annual review process, proposed amendments to the rules are set out in appendices 4A, 4B and 4C, to this report.

A number of changes are proposed to Contract Procedure Rules:-

- including a requirement for a financial assessment to be undertaken, prior to a contractor being awarded a contract;

- ensuring that the rules are more specific about when it is appropriate to involve finance staff in the evaluation aspect of any procurement process;

- giving guidance about what documentation should be retained by the officer leading the procurement exercise, to support any decision to award a contract; and

- ensuring that the statutory officers for the County Council, the Monitoring Officer and the Section 151 Officer, are aware of all potential contracts of significant value.

The amendments proposed to Financial Procedure Rules are minor. However, there will be a need to update the FPR, in due course, to reflect changes relating to:

(i) the Revenue Budget – to reflect fully the MTFS process

(ii) the Capital Plan – to reflect the Capital Project Management process

(iii) Partnerships – to reflect the financial management requirements in relation to Partnerships, including the LAA.

The Property Procedure Rules (PPR) require the most amendment in order to:

(iv) reflect the increasing range and complexity of property transactions that the County Council becomes involved with

(v) regularise the issue of leases and related options within the PPR

(vi) update the references in the PPR to key guidance/process documents as they are developed by the Corporate Asset Group and the Asset Management process within CPLU.

The changes to the Procedure Rules have an effect on the Executive Members' delegation scheme, which is also part of the Constitution. Proposed consequential amendments to that scheme are set out in appendix 4D to this report.

The Executive has also considered a report relating to the process to be applied when the disposal of a County Council site may be at less than its open market value, and recommends below an amendment to Property Procedure Rule 8.1.4 to address those circumstances.

In addition, the Executive and the Pension Fund Committee have considered proposals to modify the powers delegated to the Corporate Director – Financial and Central Services, under the scheme of delegation to officers, relating to the management of the Pension Fund, in view of the recent volatility of financial markets. The powers currently delegated to the Corporate Director – Financial and Central Services in respect of the Pension Fund are:-

4.6(b) to manage from day to day the:-

(iii) Pension Fund, including the exercise of the Council's functions as administering authority where such exercise does not involve use of a discretion, and the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pension Regulations.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the managers of the Pension Fund.

The Executive and Pension Fund recommend these should be amended to state:-

4.6(b) to manage from day to day the:-

(iii) Pension Fund, including:-

- the exercise of the Council's functions as administering authority, where such exercise does not involve use of discretion;

- the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pensions Regulations; and

- to change the mandate of a Fund manager, in consultation with the Chairman and at least one other member of the Pension Fund

Committee, in circumstances when not to do so would lead to a real, or potential, loss in value of the Fund's investments. Any such action to be reported to the Pension Fund Committee as soon as practicable.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the fund manager structure of the Pension Fund.

The Executive RECOMMENDS:

(a) That the amendments to the Contract Procedure Rules, as set out in Appendix 4A appended to this report, be adopted.

(b) That the amendments to the Financial Procedure Rules, as set out in Appendix 4B appended to this report, be adopted.

(c) That the amendments to the Property Procedure Rules, as set out in Appendix 4C appended to this report, be adopted, subject to the following change to Rule 8.1.Y.

"8.1.Y The CDFCS may approve any variation to the terms of an existing lease or licence (including the grant of a licence to assign or sublet), except that, if the variation would result in an increase to the rent or licence fee, Rule 8.1.3 shall apply".

(d) That the amendments to the Executive Members' Delegation Scheme set out in Appendix 4D be approved.

` (e) That Property Procedure Rule 8.1.4 be amended as follows:-

"Where the disposal of any property is being considered which is likely to result in either a sale or long lease (7years and over) at undervalue, the "in principle" approval of the Executive is required at the inception of the disposal process. Further approval of the Executive is required if the potential undervalue increases by more than £50K since the previous report to the Executive, and once the precise amount of the undervalue is known. Where the amount of the undervalue is more than £2,000,000 the disposal may only proceed with the prior consent of the Secretary of State".

(f) That the Scheme of Delegation to Officers be amended to authorise the Corporate Director – Finance and Central Services:-

4.6(b) to manage from day to day the:-

(iii) Pension Fund, including:-

- the exercise of the Council's functions as administering authority, where such exercise does not involve use of discretion;

- the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pensions Regulations; and

- to change the mandate of a Fund manager, in consultation with the Chairman and at least one other member of the Pension Fund Committee, in circumstances when not do so would lead to a real or potential, loss in value of the Fund's investments. Any such action to be reported to the Pension Fund Committee as soon as practicable.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the fund manager structure of the Pension Fund.

5. Appointments to Committees and Other Bodies: The Executive recommends below an appointment to the Young People's Overview and Scrutiny Committee and, in order to provide an opportunity for political groups and independent Members on the Council to propose changes to memberships, or substitute memberships of Committees, or other bodies to which the County Council makes appointments, the Executive recommends below that such nominations be approved.

<u>The Executive RECOMMENDS:</u>

(a) That Mr Jos Huddleston be appointed to the Young People's Overview and Scrutiny Committee as a voting Member representing the non conformist church.

(b) That any proposals for other changes to memberships, or substitute memberships, of Committees or other bodies to which the County Council makes appointments, put forward by the relevant political group, at or before the meeting of the Council, be approved.

JOHN WEIGHELL
Chairman

County Hall,
NORTHALLERTON.

11 December, 2007