

Subject: Capital Programme 2011/12
to 2013/14

Status: For Publication

Report to: Cabinet

Date: 17th February 2011

Report of: Head of Finance and Property Services

Portfolio

Holder: Finance and Resources

Key Decision: Yes – Recommendation to Full Council

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 To allow the Cabinet to agree recommendations to Full Council in relation to the capital expenditure estimates and resources for 2011/12.
- 1.2 To advise Members of the proposed capital expenditure and resources for the medium term 2012/13 & 2013/14 and the financing issues related to future capital expenditure.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objectives (prior to proposals to Full Council).
- Delivering quality Services to our customers
 - Delivering regeneration across the Borough
 - Encouraging healthy and respectful communities
 - Keeping our Borough clean, green and safe
 - Promoting the Borough
 - Providing value for money services

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
- 3.2 The Council needs to ensure that it is able to generate adequate sources of capital funding to support its capital commitments over the medium term and that it does not over stretch itself in terms of borrowing exposure.

- 3.3 The Council can do this by prioritising both its capital expenditure and the assets it chooses to retain over the medium term. This requires focus not just on the immediate issue but on those emerging in the years ahead.
- 3.4 Following the end of the Housing Market Renewal Programme in 2010/11 the resources available for capital projects going forward is greatly reduced. Notification has also been received that the Regional Housing Pot grant allocations have also been withdrawn as part of the Comprehensive Spending Review 2010. In both cases any grant unspent at 31st March 2011 will be carried forward and used to finance project slippage on private sector housing projects in 2011/12. The implication of this is that the following projects are not now in the ongoing capital programme:
- CPO works,
 - equity release home loans and
 - extra DFG improvements
- 3.5 This Capital Programme assumes that the central government allocation for Disabled Facilities Grant will continue at the same level as 2010/11. Officers have been led to believe that this will be case, but no final confirmation has been received from central government at the time of writing this report. Once the final grant allocation is received the expenditure on Disabled Facilities Grants will be amended to match the resources available and the changes noted in the monthly financial monitoring reports to Members.
- 3.6 Best estimates have been made of future resources available to Council in order to fund the capital programme. In the current economic climate there is some uncertainty surrounding the Council's ability to generate resources from property related assets. With this in mind regular reporting will be made to Members as to resources available to the Council.
- 3.7 Members should also be aware of the potential for unforeseen events and in particular emergency works such as those experienced in 2010/11 in relation to culvert works. In this regard further consideration will be made as to the required level of the Council's general reserves.

4 BACKGROUND AND OPTIONS

4.1 Estimated Capital Expenditure and available Resources

- 4.2 Appendix 1 details the capital programme estimates and funding resources forecast over 2011/12 to and 2013/14.

4.3 Capital Receipts

- 4.4 Assumptions for capital funding receipts over the next three years are as follows:
- 4.5 As last year, a prudent view of £100k per annum has been taken of the Council's ability to raise capital receipts from land sales due to in particular the current economic situation and its impact on the property market.

- 4.6 Housing stock right to buy settlement with Green Vale Homes ends in March 2011, therefore no Right to Buy income is forecast.
- 4.7 Resources also arise from the Council's ongoing partnership agreements with Green Vale Homes in particular the Council's VAT share entitlement. This receipt is treated initially as revenue and the estimate for 2011/12 is £487k. The first £350k is transferred to the Earmarked Reserve to fund additional pensions relating to former housing staff and the balance is available to be used as a revenue contribution to the capital programme. Based upon assessments by Green Vale Homes officers in December 2010 the 2011/12 total entitlement as £487k will mean that there is £137k available for capital works.

Green Vale Homes Receipts		
	RTB	VAT
	£000	£000
Actual		
2006/07	2,652	827
2007/08	1,093	569
2008/09	286	809
2009/10	140	430
	4,171	2,635
Estimates		
2010/11	166	351
2011/12		487
2012/13		498
2013/14		508
2014/15		516
2015/16		525
Total	4,337	5,520
Max / Target	4,500	6,081
Variance	163	561

- 4.8 As noted above the Council has yet to be notified of its Disabled Facilities Grants. The assumption is that the 2010/11 level will be maintained in future years.
- 4.9 Capital contributions from housing associations towards the Homecare Agency costs have not be included beyond 2011/12 as we have no assurance that such funding will continue. Consequently spending on this project has also been removed from 2012/13 onwards.
- 4.10 Resources include the £4.6m loan taken out in March 2010 to fund the Leisure Services investment. In addition the Council's Earmarked Revenue Reserves include funds intended to top up this loan to finance the full costs of the investment which began in Q4 of 2010/11.
- 4.11 The purchase of replacement bins is partially funded by an annual contribution of £10k built into the revenue budgets. In 2013/14 this revenue contribution is expected to rise by £100k as the Vehicle Replacement Provision is used to partially finance the replacement of the Hako sweepers.

4.12 In summary the estimate of available resources for 2011/12 and future years and the resulting net deficit is as follows:

	2010/11	2011/12	2011/12	2012/13	2013/14	Programme
	ongoing projects £000	new projects £000	Total £000	Total £000	Total £000	Total £000
Grants / Third Party Support						
Disabled Facilities Grants		353	353	353	353	1,059
Capital Grants & Contributions (new)		25	25	0	0	25
Unapplied Capital Grants (b fwd)	20	257	277	0	0	277
External Support	20	635	655	353	353	1,361
Use of Loan monies	4600	0	4,600			4,600
RBC Receipts						
VAT Shelter revenue contrib (after pension pmt)		137	137	148	159	444
General surplus asset disposals		100	100	100	100	300
Use of Earmarked Revenue Reserves	425	0	425			425
Revenue Contributions to Capital Outlay		10	10	10	110	130
RBC Useable Capital Receipts b/fwd - general	135	550	685			685
RBC Useable Capital Receipts b/fwd - housing		99	99			99
Total Capital Resources	5,180	1,531	6,711	611	722	8,044
Capital Programme Expenditure	5,180	1,239	6,419	858	1121	8,398
(Deficit) / Surplus: Resources less Expenditure			292	(247)	(399)	
Cumulative Deficit			292	45	(354)	(354)

4.13 Capital Expenditure

4.14 Appendix 1 outlines the capital programme and the funding sources available for the next three years. This includes £5.18m to be carried forward at the end of 2010/11 for ongoing projects, of which £5,160 relates to the Leisure Investment Project and £20k to Housing Market Renewal projects.

4.15 The programme builds on schemes established in previous years, concentrating on key risk issues identified through ongoing business planning, service review processes and Council priorities. This includes the continuation of the Leisure Facilities investment projects which began in Q4 of 2010/11.

4.16 The 2011/12 plan includes the continuation of several maintenance and upgrade programmes which commenced some years ago and the final programmed years of the upgrade programmes for pathways and sports fields which commenced in 2007/08. From 2012/13 onwards the ambition is to continue funding these schemes, as long as resources are available:

- Playgrounds £50k pa 5 yr programme ended 2010/11
- Cemeteries £30k pa 5 yr programme ended 2010/11
- Car Parks £30k pa 5 yr programme ended 2010/11
- Property Maintenance £200k pa 3 yr programme ended 2010/11
- War Memorials £5kpa 2 yr programme ended 2010/11
- Pathways £30k pa 5 yr programme ends 2011/12
- Sports Fields £45k pa 5 yr programme ends 2011/12

4.17 Following experience in recent years with liabilities arising for works to items such as culverts, bridges and retaining walls, it would also be prudent to include

a budget for emergency works to cover unforeseen costs. The recommended amount is £75k per annum.

- 4.18 Housing General Fund projects are included only as far as current resources and anticipated grants will allow. With the removal of the Housing Market Renewal Programme and the Housing Capital Pot grants, the only project expected to continue beyond 2011/12 is Disabled Facilities Grants.

In addition to the anticipated ongoing grant of £353k for Disabled Facilities noted at 4.8 above, the list of projects and funding below include the usage of the balances available at March 2011. They are the Housing Capital Pot £257k, housing general fund capital receipts £99k and the external contribution anticipated in 2011/12 of £20k.

Further details relating to forecasts for the balances of capital grants unapplied and usable capital receipts carried forward at the year-end can be found in the monthly monitoring reports for 2010/11 as reported to Cabinet.

Housing projects and their funding in 2011/12	Expenditure £000	Grants & Contributions £000	Capital Receipts £000
Disabled Facilities Grants	617	610	7
Decent Homes Assistance	87		87
Homecare Agency	30	25	5
	734	635	99

4.19 Net position

- 4.20 Based on the above assumptions of capital expenditure requirements and available capital receipts over the years 2011/12 to 2013/14 there is a cumulative deficit in capital resources of £354k, by 2013/14. However, this does not take account of any slippage in the programme and a prudent view has been taken on capital receipts, based on 2010/11 experiences.
- 4.21 The Council's underlying need to borrow, from its own internal resources, to finance its former capital projects is known as the Capital Financing Requirement (also referred to as internal borrowing). At the end of 2010/11 this is expected to be £4.7m and is repaid via the Minimum Revenue Charge which forms part of the Council's budget expenditure and which is a cost to Council Tax. This will increase to £8.1m once the new leisure facilities are completed.
- 4.22 The position of the capital programme will be kept under review during 2011/12 in the light of progress made in relation to the delivery of additional capital receipts and the ongoing position of capital grants.
- 4.23 Members should note that delays in the Housing Market Renewal programme for 2010/11 are expected to result in a slippage of £20k in projects, with the corresponding grant being carried forward into 2011/12 (see Appendix 1).

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial matters are dealt within the report.

6. MONITORING OFFICER

6.1 Unless specifically commented upon within the report, there are no implications for consideration.

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

7.1 Unless specifically commented upon within the report, there are no implications for consideration.

8. CONCLUSION

8.1 That resources are available to meet the currently proposed capital programme for 2011/12. However, there will need to be a continued and sustained effort to realise major capital receipts in order to both maintain the ongoing programme, and deliver additional schemes for the future.

8.2 With severe pressures on the Council's revenue resources throughout the Medium Term Financial Strategy it is more important than ever to avoid longer term borrowing, which will have a negative impact future revenue costs.

9. RECOMMENDATIONS

9.1 To recommend to Full Council that, subject to confirmation of the central government allocation for Disabled Facilities Grants shown in Appendix 1, the capital programme for 2011/12 be approved at £1,239k, and the Head of Financial Services be authorised to amend the programme in the light of final grant allocations.

Capital projects requiring approval for 2011/12		£000
Playgrounds (5 years from 06/07)		50
Cemeteries (5 yrs from 06/07)		30
Pathways (5 yrs from 07/08)		30
Wheeled Bin		40
Sports playing Fields (5 yrs from 07/08)		45
Car Park upgrading (5yrs from 06/07)		30
Building Maintenance 08/09 579k		200
War Memorials		5
Emergency Works		75
Leisure Facilities		0
Disabled Facilities Grants		617
Decent Homes Assistance		87
Homecare Agency		30
		1,239

9.2 To recommend to Full Council to agree that 2010/11 capital programme, not incurred by the 31st March 2011, be carried forward to 2011/12, along with any related grants received. The cost of these ongoing projects is currently estimated to be £5.18m.

9.4 That progress on Capital Receipts and Expenditure continues to be included in the monthly financial monitoring reports submitted to Cabinet.

10. CONSULTATION CARRIED OUT

10.1 As per the budget consultation guidelines

11. COMMUNITY IMPACT ASSESSMENT

Is a Community Impact Assessment required Yes / No

Is a Community Impact Assessment attached Yes / No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required Yes / No

Is a Biodiversity Impact Assessment attached Yes / No

(nb – subject to the specific procurement requirements, biodiversity will be a consideration)

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Background Papers	
Document	Place of Inspection
Budget Consultation / Working Papers	Website / Finance Office