

Subject:	Capital Resources 2013-2016 & Capital Programme 2013/14		Status:	For Publication	
Report to:	Cabinet Council		Date:	13 th February 2013 27 th February 2013	
Report of:	Finance Manager		Portfolio Holder:	Finance and Resources	
Key Decision:	<input checked="" type="checkbox"/>	Forward Plan	<input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached:	No	
Biodiversity Impact Assessment	Required:	No	Attached:	No	
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1.	RECOMMENDATION(S)
1.1	That Members consider the potential resources for 2013/14 and the medium term.
1.2	Members approve the affordable capital programme for 2013/14 as set out in Appendix 1.
1.3	Members to consider additional capital programme requirements, especially the results of the recent Stock Condition Survey in order to determine a priority list for further investment should additional resources materialise during 2013/14.
1.4	Members delegate the allocation of any additional resources, up to £400k, during 2013/14 to the Head of Finance and the Portfolio Holder, having regard to the Stock Condition Survey, the desired programme (as per Appendix 1) and Capital receipts available. Any additional allocations to be reported to Members via the Council's regular financial reporting framework.

2. PURPOSE OF REPORT

- 2.1
- To provide Members with projections for the capital resources available for 2013/14 and seek approval of the capital expenditure programme 2013/14 for recommendation to Full Council.
 - To advise Members of the proposed capital expenditure and resources for the medium term 2014/15 & 2015/16 and the financing issues related to future capital expenditure.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- 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.
- 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 issues, but on those emerging in the years ahead.
- In the current economic climate there is some uncertainty surrounding the Council's ability to generate resources from the disposal of its surplus assets. With this in mind an affordable capital programme is shown within this report alongside a desirable programme should the resources become available. Regular reporting will continue to be made to Members to account for resources allocated within this recommended programme as and when additional resources become available.
- Members should be aware that the affordable capital programme for 2013/14 to 2015/16 provides for minimal capital repair works and very little new investment for example for matched funding community projects etc. Given the outcome of the recent Stock Condition Survey there are risks of not providing the required investment (see below).
- 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. At the time of drafting this report there is an uncommitted balance of £150k for the 2012/13 emergency works. It is likely that some of this will be required for culvert works at Henrietta Street before the year-end, but any remaining balance will be carried forward into 2013/14.
- Due consideration should be given to financial resources available to community partners occupying Council assets on terms below commercial rates on the expectation, amongst other things, that partners are liable for the regular upkeep and maintenance of the asset.

5. BACKGROUND AND OPTIONS

The details of the capital programme estimates for the medium term are attached at Appendix 1.

5.1 Capital Resources

Any expenditure budget is limited to the resources available. Our assumptions for capital resources over the next three years are as follows:

5.1.1 Resources brought forward

The capital receipts reserve is reported each month in the Financial Monitoring Report and the expected balance at the year end is split into a general fund element of around £295k and housing general fund of £391k. Of the latter £130k is already ear-marked to finance further CPO schemes in order to bring empty properties back into use.

The only grant balances unapplied at the end of 2012/13 will relate to the former Housing

Capital Pot, for which there is likely to be £308k and £60k of Housing Market Renewal funding, both left over from allocations prior to 2012/13. These grant schemes are no longer in operation but the available balances are planned to be used to tackle the waiting list for Disabled Facility adaptations.

5.1.2

Receipts from Sales

The Council's ability to raise capital receipts from land sales has been affected by the current economic downturn and its impact on the property market. During 2012/13 receipts from sales were originally forecast at £100k, but sales up to the end of December had netted a useable £471k (after related costs were removed). Future disposal income has again been kept to a prudent level of £100k per annum. Should any additional receipts arise they will be reported to Members through the monthly monitoring process.

5.1.3

VAT Shelter receipts

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 2013/14 is £346k, which is the amount required to fund additional pensions relating to former housing staff. Should any additional income be received then the balance may be available to be used as a revenue contribution to the capital programme. For prudence no such additional income has been forecast for the medium term.

A summary of historical receipts is as follows:-

RBC Receipts	
	VAT
Actual	
2006/07	826,761
2007/08	617,805
2008/09	771,224
2009/10	445,918
2010/11	312,197
2011/12	473,175
2012/13	136,593
	3,583,673
Estimates	
2012/13	180,000
2013/14	330,000
2014/15	330,000
2015/16	330,000
Total	4,753,673
Max / Target	6,081,000
Variance	1,327,327

5.1.4

Capital Grants

The only ongoing capital grant scheme is for Disabled Facilities Grants. The Council has received written assurances that this will be maintained at current levels (c £353k per annum) until at least 2014/15. For prudence officers are not expecting any funds beyond March 2015 at present.

In recent years Green Vale Homes have provided an additional contribution of up to £200k per annum to fund disabled adaptations in their properties. However, no assurances have been received to date that similar amounts would be available beyond 2012/13.

Other capital grants for projects such as playgrounds have transferred to third sector bodies. Where such grant bids are successful the Council usually provides support and a

delivery mechanism as well as some matched funding where absolutely necessary.

5.1.5 Council revenue resources

Although capital resources cannot be used to fund revenue costs, the Council can, and does, fund the capital purchase of some equipment from its revenue resources, either directly to fund the purchase costs (known generally as a Revenue Contribution to Capital Outlay [RCCO] or in terms of Minimum Revenue Provision (MRP) repayments for the use of internal borrowing.

Ongoing revenue budgets include a £10k contribution towards the purchase of replacement refuse bins. However, the annum cost of replacement bins is around £40k and so Members are being asked to consider a pressure of £30k within the revenue budget proposals for 2013/14 and onwards.

Within the revenue budgets Members are also being asked to consider an annual revenue contribution of £100k in order to support the overall capital programme.

In 2013/14 there are also plans to contribute £120k to partially finance the replacement of the 5 vehicles, including 3 Hako street sweepers. This is being funded from the Vehicle Replacement Reserve. The remaining cost of purchasing the vehicles will be covered by internal borrowing of £143k to be repaid by MRP already included within the base budgets.

In 2015/16 the bulk of the Council's fleet will have reached the end of its economically viable life. At that point full replacement is expected to be funded from £150k of disposal receipts and around £1,875k of internal borrowing for which the MRP is again already included within the base budgets.

5.1.6 Total Capital Resources

In summary the estimate of available resources for 2013/14 and future years is as follows:

Capital Resources	Prudent estimates			
	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Grants / Third Party Support				
Disabled Facilities Grants	353	353	-	706
Contribution from Unapplied Capital Grant balances	170	138	60	368
External Support	523	491	60	1,074
RBC Receipts				
General surplus asset disposals	100	100	250	450
Direct Revenue Contributions to Capital Outlay	130	10	10	150
Application of S106 monies re Playground Project	38	-	-	38
MTFS Additional Revenue Contribution (subject to member approval)	100	100	100	300
RBC Useable Capital Receipts b/fwd - general	295	-	-	295
RBC Useable Capital Receipts b/fwd - housing CPOs	130	-	-	130
RBC Useable Capital Receipts b/fwd - housing other	261	-	-	261
	1,054	210	360	1,624
RBC Internal borrowing				
Planned internal borrowing where MRP is built into Revenue budget	143	-	1,875	2,018
Total Capital Resources	1,720	701	2,295	4,716

5.2 **Stock Condition Survey Results**

Every five years the Council commissions a professional survey of all its primary and secondary buildings. The objective of the survey is to assess the general condition of the property and to make an estimate of the necessary refurbishment and upkeep costs over the next five years. Effectively giving a maintenance plan over the medium term.

The results of the latest Stock Condition Survey in 2011/12 initially estimated an investment requirement of £2.9m over the medium term, well in excess of our forecast resources. Following some investment in 2012/13 the annual breakdown for the remaining £2.77m is as shown in the table below:

Required Investments	Required	LESS spent	Balance					Total
	2012/13 £000s	2012/13 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	
Primary sites	204.5	-128.0	76.5	721.8	627.8	350.9	664.6	2,441.6
Secondary sites	145.0	-12.0	133.0	139.6	127.3	11.7	105.4	517.0
Other Projects	36.5	0.0	36.5	76.5	62.3	11.4	12.1	198.8
Annual Total	386.0	-140.0	246.0	937.9	817.4	374.0	782.1	3,157.4
Less Full Repairing Leases	-29.1	0.0	-29.1	-104.5	-63.4	-22.9	-169.3	-389.2
RBC Requirement	356.9	-140.0	216.9	833.4	754.0	351.1	612.8	2,768.2

The reference to “Full Repairing Leases” refers to those assets leased to community groups at £Nil rentals but with the condition that the community group provides appropriate maintenance and upkeep. Members should recognise that this expenditure requirement is not without risk.

In total the Council could be facing a capital investment requirement for its buildings of £3.15m over the medium term, which is excess of its immediate identifiable resources.

5.3 Capital Expenditure

Appendix 1 outlines the capital programme and the funding sources available for the next three years.

The capital expenditure programme builds on schemes established in previous years, concentrating on key risk issues identified through ongoing business planning, service review processes together with the results of the latest stock condition survey. The programme for 2013/14 is split between the level of investment recommended by officers if resources are available totalling £1,667k, and an affordable programme commensurate with prudent estimates of the resources expected totalling £1,232k.

The shortfall on resources for a desirable 2013/14 capital programme is estimated at £496k.

5.3.1 The Desired General Fund programme

The desired programme recommended by officers for 2013/14 includes the continuation of several maintenance and upgrade programmes which commenced some years ago. The ambition would be to continue funding these schemes at the levels shown below, should the resources become available:

- Playgrounds £25k pa
- Cemeteries £20k pa
- Sports Fields £20k pa
- Car Parks £30k pa
- Property Maintenance £538k pa

Following experience in recent years with liabilities arising for works to items such as culverts, bridges and retaining walls, it remains prudent to include a budget for emergency works to cover unforeseen costs. Given the anticipated balance available at the end of 2012/13 the recommendation is to continue the £40k per annum as per previous years.

Appendix 1 includes some expenditure on the replacement of Operational Vehicles in 2013/14 to be funded specifically from revenue reserves and internal borrowing as explained at 5.1.5 above.

5.3.2 Affordable General Fund Programme

The affordable general fund programme would be around 51% of that recommended above, with some projects affected more than others. Should additional resources be made available they would be apportioned pro-rata to Operations, Regeneration and Corporate blocks.

5.3.3 Housing General Fund Programme

Housing General Fund resources and expenditure generally operate within a ring-fence. Projects are included only as far as the anticipated resources will allow. The only projects expected to continue beyond 2012/13 are Disabled Facilities Grants (DFG) and the use of compulsory purchase powers to bring empty properties back into use.

Officers recommend the use of the balance brought forward on the Housing Capital Grant and the Housing Market Renewal Grant, totalling £368k, to top-up the DFG until funds are exhausted in 2015/16. That said, there are no formal requirements to use the Housing Capital Grant solely for housing matters.

5.4 **Net position**

The affordable capital programme above is set to match anticipated resources in 2013/14.

The recommended programme for 2013/14 presents a deficit against resources available of £496k. This additional expenditure would only be approved should additional capital resources become available. The position will be kept under monthly review during 2013/14 and reported to Members through the monthly Financial Monitoring Reports.

The Council's historical need to borrow, from its own internal resources, to finance its former capital projects is, as previously noted, known as internal borrowing (referred in the statutory accounts as the Capital Financing Requirement [CFR]). At the end of 2012/13 the CFR balance is expected to be £6,788k and is repaid via the Minimum Revenue Payment (MRP) which forms part of the Council's budget expenditure and which is a cost to Council Tax. The MRP for 2013/14 is £673.7k and included in the Revenue Budget.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are dealt within the report

7. MONITORING OFFICER

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

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

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

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders

10. CONCLUSION

- 10.1 That resources are available to meet the currently proposed affordable capital programme for 2013/14. However, there will need to be a continued and sustained effort to realise major capital receipts in order to finance the additional spending recommended by officers.
- 10.2 The deficit between capital resources and requirements over the future years looks set to continue. 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.

Background Papers

Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services

Capital Programme 2013/14 - 2015/16

Capital Resources	Prudent estimates			
	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Grants / Third Party Support				
Disabled Facilities Grant - annual allowance	353	353	-	706
Application of Capital Grants already received	170	138	60	368
External Support	523	491	60	1,074
RBC Receipts				
General surplus asset disposals	100	100	250	450
Funded by Revenue Contributions built into MRP	143	-	1,875	2,018
Direct Revenue Contributions to Capital Outlay	130	10	10	150
Application of S106 monies re Playground Project	38	-	-	38
MTFS Additional Capital Contribution (subject to member approval)	100	100	100	300
RBC Useable Capital Receipts b/fwd - general fund	295	-	-	295
RBC Useable Capital Receipts b/fwd - housing CPOs	130	-	-	130
RBC Useable Capital Receipts b/fwd - housing	261	-	-	261
Total Capital Resources	1,720	701	2,295	4,716

Capital Programme	Desired Programme	Affordable Programme			
	2013/14 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Operations & Communities					
Vehicle replacement Programme	263	263	-	2,025	2,288
Playgrounds (5 years from 06/07)	25	10	10	10	30
S106 Playground Project	38	38	-	-	38
Cemeteries (5 yrs from 06/07)	20	20	20	20	60
Wheeled Bin (5 yrs from 06/07)	40	10	10	10	30
Sports playing Fields (5 yrs from 07/08)	20	20	20	20	60
	406	361	60	2,085	2,506
Regeneration					
Car Park upgrading (5yrs from 06/07)	30	10	10	10	30
	30	10	10	10	30
Corporate					
Building Maintenance (as per condition survey)	838	107	100	100	307
Emergency Works	40	40	40	40	120
	878	147	140	140	427
General Fund Total	1,314	518	210	2,235	2,963
Housing					
Disabled Facilities Grants (DFGs)	523	523	491	289	1,303
Compulsory Purchase Order Schemes	130	130	-	-	130
	653	653	491	289	1,433
Expenditure Grand Total	1,967	1,171	701	2,524	4,396
(Deficit) / Surplus: Resources less Expenditure		549	-	(229)	
RBC Usable Capital Receipts b/fwd - general		288	288	288	288
RBC Usable Capital Receipts b/fwd - housing CPOs		-	-	-	-
RBC Usable Capital Receipts b/fwd - housing other		261	261	32	32
Total Usable Capital Receipts balance		549	549	320	320