Meeting:	**Executive**
Date:	**9 February 2010**
Subject:	**Capital Programme 2010/11 to 2014/15**
Report of:	**Cllr Maurice Jones , Portfolio Holder for Corporate Resources**
Summary:	The report sets the Council's spend for 2010/11 to 2014/15 and proposed funding through the use of capital receipts and borrowing.

Advising Officer:	Clive Heaphy, Director of Corporate Resources
Contact Officer:	Matt Bowmer, Assistant Director Financial Services
Public/Exempt:	Public
Wards Affected:	All
Function of:	Council
Key Decision	Yes
Reason for urgency/ exemption from call-in (if appropriate)	Not applicable

CORPORATE IMPLICATIONS

Council Priorities:

The Council's priorities are one of the factors considered in the policy led scoring framework which is used to make an initial assessment of those schemes to be included in the Capital Programme

Financial:

The proposed Capital Programme 2010/11 has planned gross expenditure of £62.9m supported £40.3m of external funding (grants, S106 etc.), leaving a net cost to the Council of £22.6m. The net cost will be funded £11.6m through the use of previously unapplied capital receipts and £11.0m from new borrowings. This will add £1.25m to the Council's revenue Budget in 2011/12; this is the equivalent of 1% on the Council Tax. The proposals almost exhaust available capital receipts, only £2.8m remain to support future years' programmes.

Legal:

None

Risk Management:

In order to be able to fund future years' programmes the Council will need to generate new capital receipts or take out new borrowings. The latter would have an impact on subsequent Council Tax levels.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

The proposals have been reviewed for equalities impact.

Community Safety:

None

Sustainability:

None

Summary of Overview and Scrutiny Comments:

- Overview & Scrutiny have yet to consider the proposals; their comments will be forwarded to Council on 25 February.

RECOMMENDATION(S):

1. That the Executive recommends the Council to:

(a) Approve the Capital Programme 2010/11 to 2014/15

(b) Approve the reserve list of schemes to go forward in the event of slippage or new capital receipts

(c) Note the future resourcing issues and risks associated with the delivery of a robust capital programme beyond 2011/12.

(d) Approve the Housing Revenue Capital Programme

Reason for Recommendation(s):	*To agree new schemes to commence in 2010/11.*

Executive Summary

The proposed Capital Programme 2010/11 has been comprehensively reviewed and prioritised against agreed criteria, and proposals for an affordable and sustainable programme are put forward for the approval of Council. There has also been a change in approach with no slippage assumed to balance the programme.

Background

1. Central Bedfordshire agreed its first capital programme in February 2009. The programme set out the spending plans for 2009/10 and provisional allocations in future years, subject to the annual review of the programme. At the time, the new Council had not had the opportunity to formulate its capital priorities and as a result the programme was a combination of legacy plans rather than a programme which aligned resources with Central Bedfordshire's priorities.

2. The Shadow Executive was aware of the absence of clear priorities and agreed that the programme should be reviewed during the 2009/10 financial year after the election of the new Council.

3. The 2009/10 programme forecast planned expenditure exceeding resources by £15m. The programme was expected to balance with slippage in the progress of schemes. Central Bedfordshire's resources were further stretched when closure of the legacy authority's accounts identified a further £5m of commitments.

4. The review of the programme was undertaken during the autumn. It was possible to slip £15m of spend to future years but the legacy and other pressures meant that Central Bedfordshire had to identify a further £8.9m of its own resources to fund the programme. It is likely that this additional £8.9m will be financed through the application of previously unapplied capital receipts bringing the use of such receipts up to £17.7m; they are already at a very low level. A regular flow of capital receipts is necessary each year in order to sustain adequate levels of capital expenditure without.

5. Consequently, the2009/10 Capital Programme has been funded by using £17.7m of previously unapplied capital and £8.8m from borrowing. The use of capital receipts leaves Central Bedfordshire only £14.3m of such receipts to fund capital spend in future years. Both the use of capital receipts and borrowing have implications for the Council's Revenue Budget. As the Council applies receipts it forgoes a return from investment, and must pay interest on any borrowing. The revenue impact of the current use of receipts and borrowings is £1.5m per annum over the long term which is equivalent to 1.25% on the Council Tax

2010/11 Programme

6. It is clear that the provisional 2010/11 programme agreed in February 2009 plus the additional slippage from the legacy authorities has created serious financial challenges over the next three years and raised expectations about the overall size of the programme. A radical overhaul is necessary to ensure that Central Bedfordshire has a programme which it can afford and one that addresses its essential needs; any future proposals must contain a significant element of rationing. Central Bedfordshire will need to be clear about its priorities, its approach to generating new capital receipts (through the disposal of assets) and its approach to new borrowing.

Principles

7. The guiding principles below are proposed to enable the Council to deliver an affordable and sustainable capital programme:

- New capital receipts should not be taken into account until such time as they have been received by the Council;
- S106 monies should not be taken into account until such time as they have been received by the Council and no internal funds should be used against the promise of future S106 monies;
- In the short term, the programme should focus on schemes delivering efficiencies or meeting health and safety needs;
- The programme should not be dependent on slippage in order to balance spend and resources;
- There should be an annual review of the cost of all rolling programmes
- Reserve schemes should only go forward where there is slippage or new capital receipts; and
- New borrowing should be kept to a minimum to reduce pressure on the revenue budget.

Existing Commitments (contracts signed and/or work commenced)

8. Central Bedfordshire has significant commitments from schemes commenced in 2008/09 and 2009/10. This is both in terms of slippage where schemes have not progressed as quickly as planned or commitments to complete projects already underway. For 2008/09 schemes these total £0.902m and for 2009/10 schemes they total £9.175m giving an overall commitment of £10.077m.

9. There are also further commitments arising from the review of the 2009/10 which are due to start in 2010/11 totalling £1.405m. £18.814m of schemes will go ahead in 2010/11 which are substantially funded through external grants and contributions; a minimal Central Bedfordshire contribution of £0.80m is required which gives a total further commitment of £1.485m. Total commitments at this point can be covered by previously unapplied capital receipts of £11.462m. This would leave £2.8m in unapplied capital receipts. Allocating the £11.462m of capital receipts in the way suggested has an impact of £0.516m on the 2011/12 revenue budget as a consequence of lost investment interest.

2010/11 New Starts

10. Having exhausted such a large volume of previously unapplied capital receipts, any further new starts for 2010/11 will be dependent on borrowing. A policy led assessment has been made to prioritise schemes for inclusion in the 2010/11 Programme. Those of greatest need along with a number of schemes to which the Council is contractually bound are proposed for inclusion in the 2010/11 Programme as new starts. These total £11.004m

11. Despite the financial pressures there is significant capital investment which will be to the benefit of the residents of Central Bedfordshire. The programme includes a total investment in Highways of £10.9m which is £3.7m in excess of the support from the Department for Transport; there is £1.5m set aside for Private Sector Renovation Grants; £1m for maintenance of the Council's property assets, completion of the Interim Accommodation Plan with efficiencies generated in revenue year on year; and £1m initially for the purchase of new land for Campton Lower School

12. The borrowing and repayment of principal to support these schemes will have an impact of £0.935m on the 2010/12 revenue budget giving a total capital financing cost of the 2010/11 capital programme of almost £1.5m. The Council could choose to spend less and borrow less. However, the Council is contractually bound to a number of the new starts, whist others are needed to deliver efficiencies in the 2010/11 revenue budget

Proposed Programme

13. Table 1 below summarises the proposed Programme for 2010/11 to 2014/15. Appendix A sets out a more detailed summary by directorate and start year at both gross and net expenditure levels; Appendix B summarises the programme by start year; Appendix C details the full programme for 2010/11; Appendix D sets out the reserve schemes for 2010/11; and Appendix E sets out the programme in full detail by individual scheme. At present, there are no capital receipts anticipated in 2010/11 and 2011/12. Central Bedfordshire's has only £14.3m of unallocated receipts remaining to support the 2010/11 programme and future programmes.

Table 1

	2010/11	2010/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m	£m
Gross Expenditure					
Business Transformation	1.030	0.000	0.000	0.000	0.000
Children, Families & Learning (Schools)	23.752	9.791	10.753	9.954	4.058
Children, Families & Learning (Leisure)	4.310	11.657	8.445	0.985	0.210
Corporate Resources	6.492	4.000	2.760	2.000	2.000
Social Care, Health & Housing	4.022	0.552	1.545	0.552	0.552
Sustainable Communities	23.268	10.681	9.092	5.736	5.736
	62.874	36.681	32.595	19.227	12.556
Funded by					
Grants & Contributions	40.308	17.933	11.403	7.224	6.774
New Capital Receipts	0.000	5.000	10.000	12.003	5.782
Existing Capital Receipts & Borrowing	22.566	13.748	11.192	0.000	0.000
	62.874	36.681	32.595	19.227	12.556

Reserve Schemes

14. Considerable effort was put into attempting to mange slippage in 2009/10 so that spending was in line with the programme and the available resources. Whilst it is true that capital programmes do almost without exception experience slippage, there does need to be a change in approach given the pressure on both the capital programme and the revenue budget. The guiding principles outlined in paragraph 7. are designed to help Central Bedfordshire achieve a balanced programme with no planned slippage. Slippage will undoubtedly occur and where it does the opportunity can be taken to bring forward reserve schemes. Such opportunity can also be taken where early capital receipts are realised.

15. The ten reserve schemes of greatest need are set out in priority order in Appendix C. Given the pressures on both revenue and capital resources in 2010/11, there does need to be a further test before bringing forward reserve schemes and this is in respect of the delivery of the Medium Term Financial Plan. No further schemes should be brought forward in the absence of a forecast balanced budget through the quarterly reporting to the Executive. Further, and in view of the specific pressure on the revenue budget given the extensive borrowing proposed for 2010/11, reserve schemes will only be considered to start where new capital receipts are realised. As a consequence any slippage will reduce the need for borrowing.

16. The reserve list of schemes for 2010/11 is set out in Appendix D. A review of our current infrastructure and processes to manage the capital programme is now taking place

Future Years of the Programme – 2011/12 to 2014/15

Affordable and Sustainable Programme

17. The published programme agreed by Council in February 2009 included a number of schemes for which resources were unlikely to be available to support in the medium term. All schemes beyond 2010/11 are indicative only at this stage.

18. The prioritisation of schemes for inclusion in 2010/11 has meant later starts than planned for a number of schemes. As a consequence, schemes previously anticipated to proceed in 2011/12 and future years have all been rescheduled to later years of the five year programme.

19. The proposed programme includes a number of rolling programmes across a number of the directorates and for example includes Highways Structural Maintenance and the Property Block budget. The future years are provisional at this stage and will be reviewed as part of budget planning each year.

20. Whilst capital receipts are unlikely in the short term prospects are better for Central Bedfordshire in the longer term. Future capital programme planning needs to be informed by the Council's emerging Asset Management Plan and an analysis of the current stock of properties, including schools and social care facilities

Housing Revenue Account

21. Table 2 below summarises the Capital Programme for the HRA. Planned spend is funded through major repairs allowance, capital receipts restricted to the HRA and contributions from the HRA. Further detail is set out in Appendix F.

Table 2

	2010/11	2011/12	2013/14
	£m	£m	£m
Gross Spend	**6.050**	**5.006**	**5.129**
Funded by:			
Major repairs allowance	3.748	3.849	3.953
Capital receipts	1.959	0.814	0.833
Revenue	0.343	0.343	0.343
	6.050	**5.006**	**5.129**

Constitution

22. Inclusion of schemes in the Council's agreed Capital Programme does not constitute authority for individual schemes to proceed. The following paragraphs set out the process for the three categories of scheme.

Rolling Programmes

23. After inclusion in the programme a single detailed business case is required for the whole programme before it proceeds. This will be approved by the relevant portfolio holder in consultation with the relevant director, the Portfolio holder (Corporate Resources) and the Chief Finance Officer.

Major Schemes

24. For schemes which are in excess of £500k, a detailed business case will be required before the scheme can proceed after inclusion in the programme. This will be approved by the Executive.

Intermediate Schemes

25. For schemes which are between £60k and £500k, a detailed business case will be required before the scheme can proceed after inclusion in the programme. This will be approved by the relevant portfolio holder in consultation with the relevant director, the Portfolio holder (Corporate Resources) and the Chief Finance Officer.

Minor Schemes

26. A detailed business case is not necessary for these schemes to proceed but approval is still required from the relevant portfolio holder in consultation with the relevant director, the Portfolio holder (corporate Resources) and the Chief Finance Officer.

Appendices:
Appendix A – Summary Programme by Directorate
Appendix B – Summary Programme by Year

Appendix C – Detailed Programme 2010/11 All Schemes
Appendix D – Reserve Schemes
Appendix E – Detailed Programme by Directorate
Appendix F – Housing revenue Account

Background Papers: (open to public inspection)
Outline Business Cases

Location of papers: (Borough Hall)