Meeting:	**Executive**
Date:	**11 January 2011**
Subject:	**Capital Programme Review**
Report of:	**Cllr Maurice Jones, Portfolio Holder for People, Finance and Governance**

Summary: The report proposes the revised Capital Programme for 2011/12 to 2014/15 for consultation.

Advising Officer:	Richard Ellis, Director of Customer & Shared Services
Contact Officer:	Matt Bowmer, Assistant Director Financial Services (Chief Finance Officer)
Public/Exempt:	Public
Wards Affected:	All
Function of:	Executive
Key Decision	Yes
Reason for urgency/ exemption from call-in (if appropriate)	N/A

CORPORATE IMPLICATIONS

Council Priorities:

Financial:

As set out in the report, subject to agreement to the recommendations, there will be a 22% reduction in the original borrowing requirement envisaged in the Council's Medium Term Financial Strategy to fund the 2011/12 programme of schemes.

Legal:

The Capital Programme includes funding that is required to enable the authority to discharge its legal obligations. Reductions in the Capital Programme may have an adverse impact on its ability to undertake these obligations.

Risk Management:

The affordability and sustainability of the proposed Capital Programme is dependent on the generation of new capital receipts and external grants and contributions.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Safety:

Under section 17 of the Crime and Disorder Act 1998 the Council has a duty to consider community safety issues across all of its functions. Whilst there are no direct community safety implications in the report, as a result of amendments to the capital programme, as schemes are reduced in scale, or not implemented, there may be a negative impact and potential for anti social behaviour and criminal activity in the vicinity of assets that are no longer in use, or in partial use. Amendments to the highways programme may have an impact in respect of casualty rates. Schemes also include works to the CCTV System.

Sustainability:

Schemes include works to promote more sustainable modes of travel and improve the lifespan of assets and reduce energy consumption.

Summary of Overview and Scrutiny Comments:

The Capital Programme will be considered by Customer and Central Services Overview & Scrutiny Committee on 17 January 2010.

RECOMMENDATIONS:

That the Executive

1. **Approve the 2011/12 to 2014/15 Capital Programme as outlined in the report for consultation with Overview & Scrutiny and other stakeholders.**
2. **Note that the level of borrowing associated with the 2011/12 Capital Programme has been reduced to £8.600M to minimise the impact on the Council's future Revenue Budgets.**
3. **Note the options for Flitwick Leisure Centre and further investment in Highways Maintenance set out in Appendices A and C.**
4. **Approve the 2011/12 to 2014/15 Capital Programme – Housing Revenue Account as outlined in the report for consultation with Overview & Scrutiny and other stakeholders**

Reason for Recommendation(s):	*To reduce the Authority's new borrowing requirement in line with the request by Council in February 2010.*

Executive Summary

Government spending plans mean that there are fewer resources available for both revenue and capital activities and Central Bedfordshire needs to respond to this in its own spending plans.

The report reviews existing and new schemes and brings forward proposals that reduce the Authority's additional borrowing from the £11.000M envisaged in the Medium Term Financial Strategy to £8.600M in 2011/12.

There are a number of schemes which are not affordable at this time which are considered in the report. These will not be formally included in the Programme at this time but will be reconsidered as capital receipts become available in the future.

Introduction

1. Government spending plans mean that there are fewer resources available for both revenue and capital activities and Central Bedfordshire needs to respond to this in its own spending plans. The exact detail is still awaited through the Local Government Finance Settlement. However, it is anticipated that there will be significant reductions in grants supporting capital spend.
2. In February 2010, Council approved the 2010/11 to 2014/15 Capital Programme subject to an in year review to reduce the commitment to new borrowing. The review was undertaken at the end of the second quarter of the financial year and Council agreed a revised Programme for the current year in November 2010, resulting in an 11% reduction in new borrowing.
3. Further, Council agreed a set of guiding principles to enable it to deliver an affordable and sustainable Capital Programme. Key amongst these was:

   'New borrowing should be kept to a minimum to reduce pressure on the revenue budget'
4. The issue of new borrowing cannot be overstated. Each £1M of borrowing adds £0.085M to the revenue base budget in the following year, through additional actual and notional capital financing costs. The principle of a reduced commitment to borrowing has gained greater importance with the Spending Review proposals. As previously reported, the cost of new borrowing from Public Works Loan board (PWLB) is now broadly 1% above the previously available rates. This increase puts greater pressure on revenue resources.

2011/12 Capital Programme

5. The starting point for developing the 2011/12 Capital Programme was the second year of the Programme covering the period up to 2014/15 agreed at Council in February 2010. Existing priorities have been reviewed and proposed new schemes included and also some existing schemes deleted.

6. Table 1 shows the original 2011/12 programme as agreed at the 9 February 2010 Executive. After allowing for external grants and contributions, the draft 2011/12 Capital Programme had a residual financing requirement of £18.8M that was to be met by additional borrowing of £11M, new capital receipts of £5M and existing capital receipts of £2.8M. The programme was established on the basis that the authority would receive external grants and contributions of £17.9M

Table 1

	2010/11 £M	2011/12 £M	2012/13 £M	2013/14 £M	2014/15 £M
Gross Expenditure	**62.874**	**36.681**	**32.595**	**19.227**	**12.556**
Funded by:					
Grants and 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	11.566	2.748	0.000	0.000	0.000
Residual Financing Requirement	11.000	11.000	11.192	0.000	0.000
Total Funding:	**62.874**	**36.681**	**32.595**	**19.227**	**12.556**

7. The draft 2011/12 Programme has been updated for slippage from 2010/11. As part of the 2010/11 Capital Programme Review, £2.832M of slippage was identified to be carried forward into the 2011/12 financial year. A further £3.326M of slippage from the 2010/11 Capital Programme has been subsequently identified. This slippage of £6.158M does not have an impact on the 2011/12 financing requirement, as this has been assumed in the previous year's financing assumptions.

8. Further evaluation of the slippage has identified that in certain instances there is a reduced financial commitment. This amounts to £2.880M and reduces the overall level of residual financing requirements against the 2011/12 programme.

9. Directors have reviewed the capital commitments included in the original 2011/12 Capital Programme against current priorities. This review has identified a reduction in capital commitments totalling £3.802M. This figure is net of external financing through grants and contributions. The key changes are the re-phasing the Roecroft Lower Relocation, inclusion of sums in excess of Government support for Highways Maintenance, reduction of the original 2011/12 Affordable Housing programme, given slippage of schemes from 2010/11, and a review of the Flitwick Leisure Centre Scheme.

10. A detailed options paper for Flitwick Leisure Centre is included at Appendix A to this report.

11. Directors have considered the draft 2011/12 capital proposals in the context of continuing financial pressures on capital and revenue resources. Priorities have changed over the past twelve months and a number of new schemes are put forward for consideration. The total of these schemes, net of external financing through grants and contributions, is £7.280M. The key additions are in respect of provision for Disabled Facilities grant in excess of Government support, a number of Children's Services ICT developments and provision for the purchase of a stake in the Quadrant Shopping Centre in Dunstable.

12. To accommodate these new schemes and achieve the objective of a reduced commitment to new borrowing, it is necessary to identify schemes to be removed from the Programme.

13. The total of these schemes, net of external financing through grants and contributions, is £4.284M. The key schemes proposed for deletion are the general provision to avoid the use of temporary accommodation and undersized hall at Campton Lower School and Job Investment Schemes.

14. Directors have reviewed their capital commitments to identify schemes that could be slipped to future financial years. This exercise has resulted in a total of £0.893M being re-phased into future years from the 2011/12 capital programme.

15. Finally, the forecast of new capital receipts has been revised and the original figure of £5.000M has been increased to £5.500M.

16. Table 2 sets out the draft position to include the full impact of all of these changes compared to the original capital programme. The full proposed Capital Programme is set out in detail in Appendix B. This leaves a residual financing requirement of £8.600M. This is the amount that should be met through the utilisation of internal resources or by new external borrowing. This represents a reduction of £2.400M against the original external financing requirement assumptions contained within the Council's medium Term Financial Strategy. Further consideration should be given to the scope for further reductions in the residual financing requirement in order to minimise the impact on the revenue budget from capital financing costs.

Table 2

	£M
Revised 2011/12 Capital Programme (Net)	**22.113**
Original Funding:	
• Slippage Funded Through Previous Years' Capital Programmes	(6.158)
• Slippage To Future Years' Capital Programmes	0.893
• Existing capital receipts	(2.748)
• 2011/12 Capital receipts	(5.000)
Revised Funding Assumptions:	
• Additional 2011/12 Capital receipts	(0.500)
Residual Financing Requirement	**8.600**

18. Additional schemes have been identified for consideration for inclusion in the 2011/12 Capital Programme. These amount to £6.715M and are shown in Appendix C. These are not assumed in the £22.113M Capital Programme.

19. The options for consideration include a scheme to provide football pitches or some other version of the Flitwick Leisure Centre scheme and additional provision for Highways Maintenance. However, in either case, additional borrowing would be necessary to finance such schemes unless still more projects are deleted from the proposed 2011/12 programme.

Medium Term Implications

20. Table 3 sets out the draft position over the medium term. Although there is less certainty in determining accurate future spend and financing assumptions, the table shows that the Capital Programme is dependent on the generation of new capital receipts and external grants and contributions in order to support the levels of expenditure proposed. This constitutes a risk to the sustainability and affordability of the Capital Programme across the medium term.

Table 3

	2011/12 £M	2012/13 £M	2013/14 £M	2014/15 £M
Gross Expenditure	**55.513**	**26.777**	**24.875**	**24.346**
Funded by:				
Existing Resources	5.265	(0.893)	0.000	0.000
Grants and Contributions	33.400	13.984	11.710	11.081
New Capital Receipts	5.500	10.300	*12.003*	*5.782*
Existing Capital Receipts	2.748	0.000	*0.000*	*0.000*
Residual Financing Requirement	8.600	3.386	1.162	7.483
Total Funding:	**55.513**	**26.777**	**24.875**	**24.346**

Housing Revenue Account

21. The 2011/12 – 2014/15 Housing Revenue Account (HRA) Capital Programme is attached at Appendix D.

22 The programme as set out below is fully financed by the HRA by utilising the Major Repairs Allowance and contributions from revenue. This is set out in Table 4 below.

Table 4

	2011/12 £M	2012/13 £M	2013/14 £M	2014/15 £M
Gross Expenditure	**4.713**	**5.099**	**5.099**	**4.949**
Funded by:				
Major Repairs Allowance	3.849	3.953	3.953	3.953
Revenue Contributions	864	1.146	1.146	996
Total Funding	**4.713**	**5.099**	**5.099**	**4.949**

Appendices:

Appendix A: Flitwick Community Football Development Centre and Leisure Centre
Appendix B: Proposed 2011/12 Programme
Appendix C: Additional Schemes for consideration
Appendix D: Proposed 2011/12 Programme – Housing Revenue Account

Background Papers:
Capital Programme 201/12 to 2014/15 – Council, February 2010.
Capital Programme 2010/11 Review – Council, November 2010.

Location of papers: (Central Bedfordshire Council, Priory House, Chicksands)