
Meeting: Executive
Date: 15 February 2011
Subject: Capital Programme
Report of: Cllr Maurice Jones, Portfolio Holder for People, Finance and Governance
Summary: The report proposes the Capital Programme for 2011/12 to 2014/15.

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 30% reduction in the original borrowing requirement envisaged in the Council's Medium Term Financial Strategy to fund the 2011/12 programme of schemes. The proposed Capital Programme 2011/12 has planned gross expenditure of £68.3M supported by £47.1M of external funding (grants, S106 contributions etc) leaving a net cost to the Council of £21.2M.

The net cost will be met through the use of previously unapplied capital receipts resources carried forward from the previous financial year and £7.7M borrowing.

Legal:

The Capital Programme forms part of the Council's budget as defined in the Constitution and must therefore be approved by the full Council. It includes funding that is required to enable the authority to discharge its legal obligations and a failure to approve the capital programme may therefore have implications on the Council's ability to comply with 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. In developing and implementing the detailed business case for each project, implications will be carefully considered to ensure compliance with the Community Safety Partnership's priorities and plans as endorsed by this Council.

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 was considered by Customer and Central Services Overview & Scrutiny Committee on 17 January 2010. Additional information in respect of schemes within the ICT and Property Block budgets was recommended by the Overview and Scrutiny Committee. The detail of these schemes is incorporated within the detailed appendices to the report.

The Programme was considered by the Overview and Scrutiny Committees in the January cycle of meetings, a number of clarification questions were answered and the programme was formally noted by the committees.

RECOMMENDATIONS:**That the Executive**

- a. **Recommends to Council to approve the 2011/12 to 2014/15 Capital Programme (as per Appendix A).**
- b. **Note that the level of borrowing associated with the 2011/12 Capital Programme has been reduced to £7.7M to minimise the impact on the Council's future Revenue Budgets.**
- c. **Recommends to Council to approve the 2011/12 to 2014/15 Capital Programme – Housing Revenue Account (as per Appendix B).**

<i>Reason for Recommendations:</i>	<i>Agree schemes to commence in 2011/12 and reduce the Authority's new borrowing requirement in line with the request by Council in February 2010.</i>
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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 Capital Programme has been reviewed and provides proposals that reduce the Authority's additional borrowing from the £11.000M envisaged in the Medium Term Financial Strategy to £7.7M in 2011/12.

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.
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 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.
5. A draft Capital Programme for 2011/12 was approved for consultation with Overview and Scrutiny and other stakeholders following the 11 January 2011 Executive. The programme was based on gross capital expenditure of £55.513M with a residual financing requirement of £8.600M that will be met through external borrowing or the use of internal resources. The Capital Programme assumptions included in the January report did not include final school capital grant assumptions announced in December 2010.

Draft 2011/12 Capital Programme

6. The starting point for developing the Draft 2011/12 Capital Programme, as presented to the January Executive, 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.

7. Table 1 shows the original 2011/12 programme as agreed at the 25 February 2010 Full Council. 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 Medium Term Financial Plan Capital Programme

	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
Borrowing	11.000	11.000	11.192	0.000	0.000
Total Funding:	62.874	36.681	32.595	19.227	12.556

8. 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 was 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.
9. Further evaluation of the slippage 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.
10. Directors reviewed the capital commitments included in the original 2011/12 Capital Programme against current priorities. This review identified a reduction in capital commitments totalling £3.802M. This figure is net of external financing through grants and contributions. The key changes are:
- Rephasing of Roecroft Lower from future year's programme £2M
 - Reconsideration of Flitwick Leisure Centre; Phase One (£4.8M)
 - Reduction in the Affordable Housing programme (£0.9M)
 - Revisions to the Luton and Dunstable Busway programme (£0.4M)

11. Directors 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 were put forward for consideration. The total of these schemes, net of external financing through grants and contributions, is £7.280M. The key additions are:
 - Provision for the Mandatory Disabled Facilities grant in excess of Government support £1.7M
 - ICT projects within Children's Services including Training Manager Pro £0.5M
 - Stotfold Community Leisure and Football Development £0.5M
 - Provision for the purchase of a stake in the Quadrant Shopping Centre in Dunstable £1.5M
 - Highways Contract Lump Sums for Contracted Services £0.9M.
12. To accommodate these new schemes and achieve the objective of a reduced commitment to new borrowing, it was necessary to identify schemes to be removed from the Programme. 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.
13. Directors 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.
14. The forecast of new capital receipts has been revised and the original figure of £5.000M has been increased to £5.500M.
15. The programme was based on gross capital expenditure of £55.513M with a residual financing requirement of £8.600M that will be met through external borrowing or the use of internal resources.
16. The January Executive considered proposals regarding the Flitwick Leisure Centre. It was decided that the leisure facility in Flitwick should be retained and officers are to come forward with proposals for a leisure strategy options for the maintenance of the existing facility and options for rephasing the reprovision of a leisure facility within the current financial envelope.

Consultation on Draft Capital Programme

17. The Draft Capital Programme was approved for consultation at the January Executive. This included the review by each respective Overview and Scrutiny Committee. The findings of the Committees are set out in detail at Appendix C. The main points from the Committees are highlighted below:
18. **Social Care, Health and Housing Overview & Scrutiny Committee**
 Members discussed the proposals contained within the Capital Programme, in particular Disabled Facilities Grant Scheme, Renewal Assistance, NHS Campus Closure, Timberlands & Chiltern View Gypsy and Traveller Sites, Empty Homes and Schemes under the Housing Revenue Account. It was recommended to the Executive that all proposals be endorsed.

19. **Children's Services Committee**

Members considered those elements of the revised capital programme for 2011/12 to 2014/15 relating to Children's Services and apart from seeking clarification and further information on a number of specific items, were content to note it.

20. **Sustainable Communities Overview and Scrutiny Committee**

The Committee discussed the withdrawal of the Football Foundation grant for football pitches at Flitwick Leisure Centre and the apparent absence of provision for maintenance costs for Flitwick Leisure Centre. The capital programme does include for the leisure centre stock condition/asset management plan provisions which are anticipated to be sufficient to carry out essential 'health and safety' works at Flitwick Leisure Centre. The Executive has commissioned more work on options in relation to the redevelopment of Flitwick Leisure Centre and the re-provision of football facilities.

21. The Committee also queried the use of capital funding to upgrade street lighting to EU standards. Due to previous underinvestment the inherited stock of 21,000 streetlights, Central Bedfordshire has been experiencing increased rates of failure. The continuing capital programme provision for street lighting would remedy problems with the stock over a seven year period. The outcomes will be a safe well maintained stock, greatly reduced levels of failed lights, removal of a revenue pressure and revenue savings.

22. The Overview and Scrutiny Committee noted the Capital Programme.

23. **Customer & Central Services Committee**

Members referred to an item included within the capital programme for Customer and Shared Services entitled "CBC Corporate Property Block Budget", which had a budget of £4M in 2011/12. The sum is made up of a number of individual projects, some of which are substantial in cost terms (i.e. over £100k).

24. The Committee has sought more detail over the provision for "ICT Infrastructure" Members were advised that there is no financial threshold within the capital programme above which items were required to be identified separately (rather than contained within block or rolling programmes). The Committee feels that in future the capital programme should list all individual projects above £100k.

25. The Committee recommended to the Executive that consideration be given to revisiting the capital programme to ensure that all items contained within it are essential, affordable and sustainable.

26. The Committee discussed that recently the Council has received notification of capital grant of £18M from the Department for Education for schools capital funding. This has now been included in the capital programme, in line with the Committee's recommendations and is discussed below.

Final 2011/12 Capital Programme

27. The Draft Capital Programme was approved for consultation at the January Executive. Following the consultation and review process, the recommendations of the Overview and Scrutiny have been incorporated within the final Capital Programme. Other changes, those being chiefly in respect of school grant assumptions, have also been incorporated in the final 2011/12 Capital Programme. The amendments to the Draft Capital Programme are set out below.
28. Final details of the schools capital funding were announced in December 2010. The authority compiled an excellent bid and as a result the allocations were considerably in excess of the estimated levels of grant included in the Draft Capital Programme. These are as follows:
- £7.791M Basic Need
 - £6.314M Schools Capital Maintenance
 - £0.976M Devolved Formula Capital
- The grant funding for 2011/12 includes a £7.971M allocation for basic need funding for extra school places. The criteria for application of this grant have been considered against schemes within the Draft Capital Programme. Following this review, it has been established that the grant could be applied to the Rolecroft Lower Relocation scheme that is scheduled in the draft 2011/12 programme. The net expenditure commitment of £2M that was previously scheduled to be met through borrowing, will now be met through the basic need grant allocation. This reduces the overall borrowing requirement.
29. The other Schools Capital Funding allocations are being reviewed against future scheme requirements. Commitments had been identified in the draft Capital Programme and have been revised to reflect the final allocations. Outline Business Cases will be prepared to identify schemes to enable utilisation of the funds available.
30. Overview and Scrutiny recommended that greater details were to be provided in respect of the ICT and Property Block budgets. These have been analysed further to provide details of the chief components of the budgets and these are set out in Appendix A to the report.
31. Further revisions have been made to the Draft Capital Programme to reflect the need to establish a General Maintenance Contingency of £1.000M. Minor amendments have also been required in the Sustainable Communities Capital Programme where the reprofiling of the Car Park Improvement and Ticket Machines scheme has increased the 2011/12 borrowing requirement. However, the reprofiling of the Car Park Improvement and Ticket Machines scheme reduces the need to borrow by an equivalent amount in the Medium Term Capital Programme. These changes represent an additional requirement to borrow in 2011/12 and increases the borrowing requirement from the £6.6M reported to January Executive by £1.1M to £7.700M.

32. Table 2 sets out the final position to include the full impact of all of these changes compared to the original capital programme. The Final Capital Programme is set out in detail in Appendix A. This leaves a borrowing requirement of £7.700M. This represents a reduction of £3.3M 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 borrowing requirement in the current and future financial years in order to minimise the impact on the revenue budget from capital financing costs.

Table 2 - 2011/12 Capital Programme

	<u>£M</u>
Revised 2011/12 Capital Programme (Net)	21.163
Original Funding:	
• Slippage Funded Through Previous Years' Capital Programmes	(6.158)
• Slippage To Future Years' Capital Programmes	0.943
• Existing capital receipts	(2.748)
• 2011/12 Capital receipts	(5.000)
Revised Funding Assumptions:	
• Additional 2011/12 Capital receipts	(0.500)
Borrowing Requirement	7.700

33. The January Executive considered proposals regarding the Flitwick Leisure Centre. It was decided that the leisure facility in Flitwick should be retained and officers are to come forward with proposals for a leisure strategy options for the maintenance of the existing facility and options for rephrasing the re-provision of a leisure facility within the current financial envelope.

Medium Term Implications

34. Table 3 sets out the final 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 – Capital Programme 2011/12 to 2014/15

	2011/12 £M	2012/13 £M	2013/14 £M	2014/15 £M
Gross Expenditure	68.291	26.727	24.775	24.346
Funded by:				
Existing Resources	5.215	(0.943)	0.000	0.000
Grants and Contributions	47.128	13.984	11.610	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	7.700	3.386	1.162	7.483
Total Funding:	68.291	26.727	24.775	24.346

Housing Revenue Account

35. The 2011/12 to 2014/15 Housing Revenue Account (HRA) Capital Programme is attached in Appendix B.
36. 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 – HRA Capital Programme 2011/12 to 2014/15

	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: Final 2011/12-2014/15 Capital Programme

Appendix B: Final Housing Revenue Account Capital Programme 2011/12-2014/15.

Appendix C: Overview and Scrutiny Comments – Capital Programme

Background Papers:

Capital Programme 2010/11 to 2014/15 – Council, February 2010.

Capital Programme 2010/11 Review – Council, November 2010.

Draft Capital Programme- Executive January 2011.