CARLISLE CITY COUNCIL
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# Report to Council	Agenda Item: 17(iv)

Meeting Date:	9 September 2014
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref:KD14/14
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	CAPITAL STRATEGY 2015/16 TO 2019/20
Report of:	DIRECTOR OF RESOURCES
Report Number:	RD19/14

Purpose / Summary:
The Council's Capital Strategy is intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2015/16 to 2019/20. The guidance in this strategy complements and supplements the Medium Term Financial Plan.

The Capital Strategy has been considered by the Executive and the Resources Overview and Scrutiny Panel.

Recommendations:
The Council is asked to approve the Capital Strategy for the period 2015/16 to 2019/20.

Tracking

Executive:	**21 July 2014**
Overview and Scrutiny:	**7 August 2014**
Executive	**18 August 2014**
Council:	**9 September 2014**

CARLISLE CITY COUNCIL

CAPITAL STRATEGY
2015/16 TO 2019/20

SEPTEMBER 2014

CARLISLE CITY COUNCIL

CAPITAL STRATEGY 2015/16 to 2019/20

1. Policy and Context

The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources. The strategy reflects the links to other Council plans and is based on the guidance in the Medium Term Financial Plan (MTFP).

The objectives of the Capital Strategy are to: -

- Ensure that capital investment decisions and capital resources contribute to the achievement of the Council's corporate priorities.
- Co-ordinate the strategic priorities emerging from service planning and ensure that investment opportunities are maximised.
- Manage performance and decision-making processes to help achieve the best use of available capital resources.
- Set out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money is obtained.

Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes.

2. Overall Strategy Guidelines

The strategy has been developed using the following overarching guidelines: -

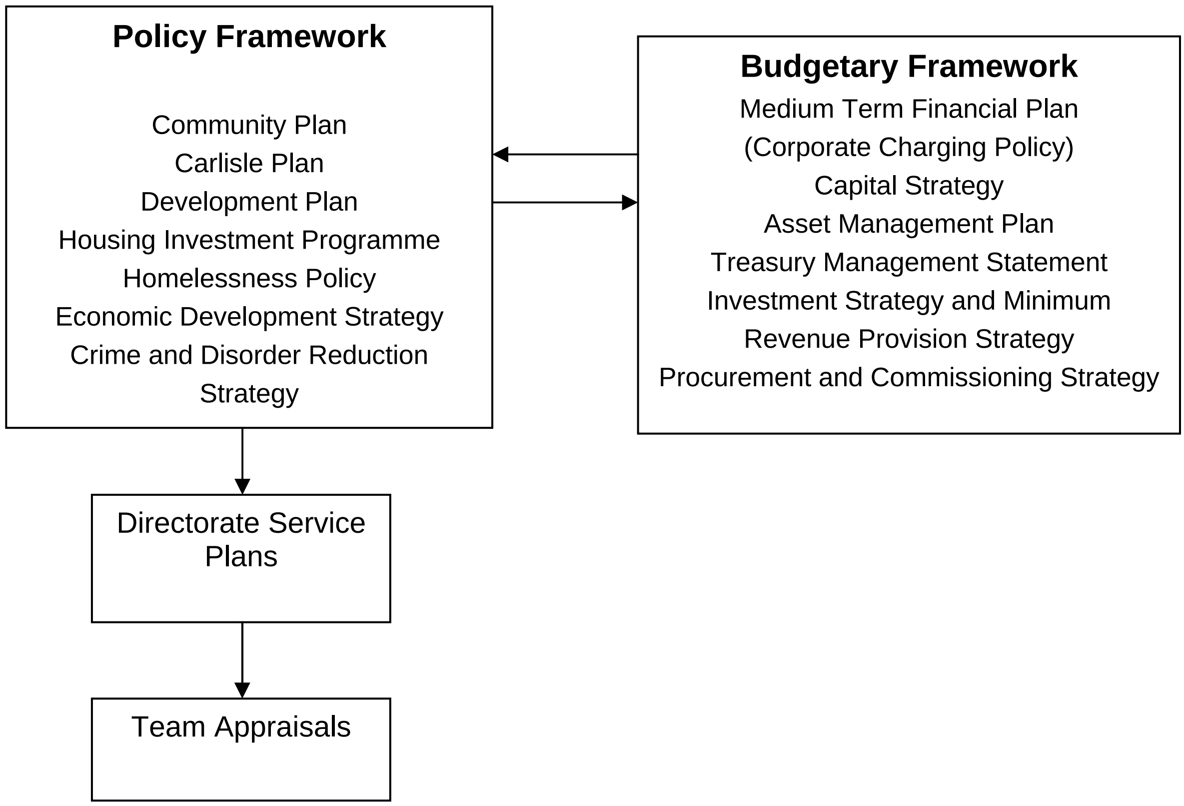
- Capital resources are held corporately and are allocated according to the priorities set out in the Carlisle Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants).
- Capital receipts, including Preserved Right to Buy (PRTB) receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy.
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants.
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements.
- The Council will seek to maximise the use of grants and external funding.
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities.
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process.
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects.
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance.

3. The Council's approach to corporate planning

The council has a corporate plan (Carlisle Plan) that is reviewed annually to take account of emerging issues. The plan is developed through consultation with stakeholders; it presents the key actions for the Council and likely outcomes for communities.

The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

The following diagram illustrates the relationships between the Policy and Budgetary Frameworks.



Community Plan

The community plan is 'owned' by the Carlisle Partnership (our Local Strategic Partnership). It reflects and develops the aspirations of the communities of Carlisle and provides a strategic context for the partnership activities of all members of the LSP. For the City Council it is particularly important that the Corporate Plan enables delivery of the Community Plan; there must be congruence between the strategic objectives of both plans.

The communities of Carlisle are consulted and involved in the development of the Community Plan. This Community Plan helps to inform the strategic thinking of partner organisations.

The LSP's Community and Council's Corporate Planning process informs and supports the strategy of the Cumbria Strategic Partnership.

Directorate Service Plans

The primary purpose of a Service Plan is to provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget.

Service Plans develop the key actions of the Carlisle Plan into detailed activities for Directorates and provide a framework for their financial, performance and risk management.

Other Council Strategies, Plans and Policies

The MTFP takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies: -

- The Capital Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy
- Local Plan/Local Development Framework.
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, (some of which are currently under development) which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Strategy.

4. Capital Programme Forecasts

4.1 Current Forecasts

The Council has previously considered detailed proposals for capital spending and associated financing implications for the period 2014/15 to 2018/19. These are summarised in the Council Budget Resolution approved on 20 February 2014.

This report updates the projections to cover a further year. This aims to provide more effective planning in the longer term. The aim may be to increase this period to 10 years.

The key assumptions in the projections are as follows:

- The Capital Programme considered by Council in February assumed a programme of £7.217m for 2014/15 and £8.007m for 2015/16. The impact of the 2013/14 outturn and the carrying forward of budgets into 2014/15 and other adjustments has increased the programme to £9.716m in 2014/15.

The current full 5 year programme (before being reviewed) is attached at **Appendix A** with a summary below at **Table 1**. Work is continuing to allocate resources to the new Council priorities.

Table 1 – Current Proposed Programme

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Current Proposed Programme	9,716	8,359	2,589	2,480	1,741	1,428

4.2 Future Forecasts

The current capital programme forecasts spending on capital projects of around £1-£2.5m p.a. for years 2017/18 to 2019/20. Past experience has indicated that actual spending will be far higher and this is due mainly to the fact that a number of initiatives are still at an early stage of development and so are not yet included in the projections.

(i) Asset Review Programme – Capital purchases from the receipts generated by asset sales were removed from the capital programme as part of the 2014/15 budget process as the receipts are being reinvested to finance the overall capital programme.

(ii) Vehicle Replacement Programme - The current capital programme includes a minimal budget for vehicle replacements. The refuse fleet and other street cleansing vehicles are due for replacement from 2015 and options need to be considered as to how these will be funded and whether existing vehicles can be replaced later. Given current capital resources it will be unlikely they will be able to be bought from existing capital receipts, so other options such as borrowing and leasing will have to be considered should the vehicles still need replacing.

The position on the above schemes will need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing can be made more accurately. The inclusion of any of these projects in the capital programme will be subject to the appraisal of a full business case, which will include an assessment of fit with corporate priorities, prior to formal approval for inclusion in the programme by Council.

5. Capital Resource Forecasts

The Council's capital programme can be financed, (or paid for), through a number of sources and the Director of Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process. **Table 2** shows the estimated level of capital resources, which will be generated over the next five years.

Table 2 – Estimated Capital Resources (Based on current programme)

Resources Available	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Grants	(1,599)	(663)	(663)	(663)	(663)	(663)
Capital Receipts (General & Preserved Right to Buy)	(660)	(410)	(410)	(410)	(260)	(260)
Capital Receipts (Asset Business Plan)	(1,925)	(4,539)	0	0	0	0
Total Capital Resources	**(4,184)**	**(5,612)**	**(1,073)**	**(1,073)**	**(923)**	**(923)**
Borrowing Requirement (Revised)	0	(5,000)	0	0	0	0
Direct Revenue Financing	(174)	(101)	(66)	(66)	(34)	(2)
Total	**(4,358)**	**(10,713)**	**(1,139)**	**(1,139)**	**(957)**	**(925)**

The current assumptions included in this strategy for each of the available financing sources are as follows:

(i) Borrowing

Rules on borrowing have been relaxed since the introduction of the Prudential Code in April 2004. As a consequence, any new borrowing taken out is now known as unsupported borrowing. This effectively means that the Council can borrow as much as it wishes to pay for its capital programme, providing that repayments are affordable and can be met from the Council's revenue budget.

(ii) Capital Receipts

Capital Receipts arise principally from the sale of Council capital assets. In the past the bulk of the receipts were received from a Preserved Right to Buy (PRTB) sharing agreement with Riverside Group, following the transfer of the housing stock in December 2002. Capital receipts are forecast to remain fairly constant at £0.40million p.a. for the period under review, dropping to £0.260million p.a. from 2018/19 onwards. However, for 2014/15 there are specific additional items that increase this figure to £0.66million. These figures comprise: -

- £150,000 to be received from PRTB sales under the sharing agreement with Riverside in 2014/15. Updated projections will be requested from Riverside Group which will be included in the final version of the report once received but early indications show that there will be a significant reduction in the level of receipts generated from PRTB sales which has not yet been taken into account. For information £413,000 was received in 2013/14. This agreement ceases on 31 March 2018.
- £10,000 p.a. from receipts arising from the Raffles development, which it is forecast will continue to be generated for the next 11 years.
- An assumption that the Council will generate £250,000 p.a. over the life of the plan from the sale of other Council surplus assets (to be refined during the budget process).
- £250,000 from the sale of London Road Hostel now the new Womens and Families Hostel is completed.

Capital receipts, including PRTB receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy. 'Sustainable communities' has a wide-ranging definition, which is included at **Appendix B** for information. There has previously been an expectation from the Government that the PRTB receipts will be used to benefit the delivery of the sustainable community.

The Asset Business Plan assumes that a further £6.5million of capital receipts will be generated from 2014/15. A significant capital receipt was removed from during the 2014/15 budget process until more certainty over its materiality can be ascertained. The expectation is that this receipt will be set aside to enable the future repayment of debt. A reprofiling exercise has been carried out to revise the expected date of these capital receipts.

Asset Business Plan Resources	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Original Schedule	(5,134)	(1,340)	0	0	0	0
Amendment	3,209	(3,199)	0	0	0	0
Revised Asset Business Plan Resources	**(1,925)**	**(4,539)**	**0**	**0**	**0**	**0**

The Council also receives a small amount from repayments of improvement grants arising as a result of property sales. The Council has approved a change in policy whereby receipts of this nature are now to be used specifically to support Housing Private Sector Renewal initiatives. However given the scale of the potential receipts, for the purpose of this report, they are not separately identified and are included within general capital receipts.

As a result of revised Capital Financing Regulations, the Council prepares an annual Minimum Revenue Provision (MRP) Strategy, which was approved by Council in February 2014. During 2008/09, the Council took advantage of an accounting amendment, which generated substantial short-term savings to the authority's revenue budget. This involves the voluntary set aside of unapplied capital receipts. As these capital receipts are spent there will be an adverse impact on the revenue account both in terms of the amount of investment interest received and the level of MRP charged in the year. The Council continues to use this strategy of setting aside any surplus receipts each year in order to minimise its MRP requirement. The cash from these receipts is still available to support capital expenditure.

Central Government have recently made an announcement of a £2m investment to Cumbria Local Enterprise Partnership for improved access to Durranhill Industrial Estate. A further report will be presented for approval once further information is available.

(iii) Reserves and Balances

The Council currently maintains a reserve to support capital spending - the Asset Investment Reserve. Further information on all of the Council reserves is set out in more detail in the Council's Policy on the Use of Reserves contained within the MTFP.

- Asset Investment Reserve

  The Asset Investment Reserve currently stands at £0.4m, the use of which is subject to Council approval. The remaining balance in the reserve is the remainder of £1m built up from contributions from the Industrial Estates capital programme.

(iv) Government and Other Capital Grants and External Funding

The Government have made changes to capital grants and capital funding, for example removing ring fencing from certain grants etc. Further developments and announcements may impact on the amount of capital grants and funding available to the Council.

The Council currently receives capital grants to support its Disabled Facilities Grants (DFG) programme. From 2014/15, the level of grant provided to the Council is £663,000 and the requirement for the Council to fund 40% of the cost has been withdrawn.

(v) Revenue Contributions

The Council is free to make contributions from revenue to finance capital spending. A number of invest In practice however, and given the severe restrictions on the level of revenue spending needed to keep Council Tax at acceptable levels, it is not anticipated that any revenue contributions will be made over the period 2014/15 – 2019/20 to provide resources for capital spending. Where there have been specific ‘invest-to-save’ projects that have utilised capital resources, these are being ‘repaid’ to capital through the revenue savings that have been generated. Due to the pressure on the Council’s Revenue budget and reserve projections, the opportunity will be taken wherever possible to maximise the use of capital resources rather than revenue resources. This is because capital resources can only be used to finance capital schemes, whereas revenue reserves and balances can be used to support both revenue and capital schemes and therefore gives more flexibility.

6. Summary Capital Spending and Financing

As set out in the Table below, there is currently £5.6m uncommitted capital resources available to support any future capital programme up to 2017/18.

The capital resources shown below highlight that there will be a borrowing requirement of £0.142m in 2017/18 increasing to £0.926m in 2018/19 and £1.429m in 2019/20. This borrowing requirement will be met in the first instance through ‘Internal Borrowing’, i.e. running down the Council’s cash investments.

Table 3 – Summary Programme

Summary Programme	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Estimates Resources 31 March 2014	(5,643)	0	0	0	0	0
In Year Impact:						
Estimated Resources available (Table 2)	(4,358)	(10,713)	(1,139)	(1,139)	(957)	(925)
Current Proposed Programme (Table 1)	9,716	8,359	2,589	2,480	1,741	1,428
In year projected (surplus)/Deficit in Resources	**5,358**	**(2,354)**	**1,450**	**1,341**	**784**	**503**
Total	**(285)**	**(2,639)**	**(1,189)**	**152**	**936**	**1,439**

7. Council Budget Process

7.1 The Council operates on a five-year budget cycle, which starts in July with consideration of the MTFP including this Capital Strategy. As the year progresses, services submit capital and revenue bids for service development or to address pressures identified in their respective service plans in accordance with Council priorities. Capital bids have a role to play in developing the Council's revenue budget as in very many cases, a capital project will result in the Council having to budget for ongoing revenue costs in future years.

7.2 The Council has set up a formal appraisal system to assess individual capital projects before they are included in the capital programme, and therefore before committing revenue resources. The Corporate Programme Board (CPB) undertakes this to determine: -

- Whether the project meets corporate and service priorities,
- Whether all costs are reasonable and affordable,
- Whether all options to deliver the project have been considered.
- Impact on Revenue budget.
- Any VAT issues

Capital bids are only put forward to members as recommended schemes when this appraisal process is completed satisfactorily.

8. Evaluation and Monitoring of Capital Projects

8.1 The evaluation and monitoring of capital projects is important to enable the Council to determine: -

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Council.

8.2 To assist with these processes, the Council has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Corporate Programme Board, comprising senior officers of the Council, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted to members for consideration as part of the normal budget process.

- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.

- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to Council as required.

- The Senior Management Team and the Executive receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met, and makes recommendations where necessary to improve the delivery of similar projects in the future.

- The Council's Resources Overview and Scrutiny Panel also critically examines the performance in delivering capital projects on a quarterly basis.

9. Risk Assessment

The past performance of the capital programme flags up some key risks that need to be addressed to ensure best use is made of the Council's capital resources. The risk assessment for the capital programme is attached at **Appendix C**.

10. Summary

This strategy is designed to outline the processes and risks the Council needs to consider when developing a capital programme that meets corporate and service objectives. It also provides information on the likely level of capital investment that the Council will be able to support over the next five years and gives an indication of the level of resources that will be required, and that are available, to deliver this investment through the capital programme.

APPENDIX A

Current Capital Programme

Capital Schemes	2014/15 £000	Projected 2015/16 £000	Projected 2016/17 £000	Projected 2017/18 £000	Projected 2018/19 £000	Projected 2019/20 £000
Disabled Facilities Grants	863	863	863	863	863	863
Planned Enhancements to Council Property	366	300	300	300	300	300
Vehicles & Plant	323	1,109	1,221	1,113	383	265
ICT Shared Service	320	197	205	204	195	0
Asset Business Plan	3,200	0	0	0	0	0
Public Realm S. 106 works	690	0	0	0	0	0
Arts Centre	1,055	0	0	0	0	0
Harraby School Community Campus Contr	1,100	500	0	0	0	0
Old Town Hall / Greenmarket	1,070	390	0	0	0	0
Leisure Facilities	0	5,000	0	0	0	0
Sheepmount Road	30	0	0	0	0	0
Bitts Park Access	10	0	0	0	0	0
CCTV Initiative	89	0	0	0	0	0
Enterprise Centre / West Walls	70	0	0	0	0	0
Empty Property Initiative	209	0	0	0	0	0
Public Realm Improvements	100	0	0	0	0	0
Clean Up Carlisle	20	0	0	0	0	0
Employee Payment System	21	0	0	0	0	0
Families Accommodation	15	0	0	0	0	0
Cenotaph & War Memorials	61	0	0	0	0	0
Kingstown Industrial Estate	10	0	0	0	0	0
Connect 2 Cycleway	8	0	0	0	0	0
Waste Optimisation Software	9	0	0	0	0	0
Play Area Improvements	69	0	0	0	0	0
Castle Street Public Realm	8	0	0	0	0	0
Total Capital Programme	**9,716**	**8,359**	**2,589**	**2,480**	**1,741**	**1,428**

APPENDIX B

Sustainable Communities

In February 2003 the ODPM produced a document called ‘Sustainable Communities: building for the future’ which provided a summary of the key requirements of a sustainable community as shown below.

1. A flourishing local economy to provide jobs and wealth;
2. Strong leadership to respond positively to change;
3. Effective engagement and participation by local people, groups and businesses, especially in the planning, design and long-term stewardship of their community, and an active voluntary and community sector;
4. A safe and healthy local environment with well-designed public and green space;
5. Sufficient size, scale and density, and the right layout to support basic amenities in the neighbourhood and minimise use of resources (including land);
6. Good public transport and the transport infrastructure both within the community and linking it to urban, rural and regional centres;
7. Buildings – both individually and collectively – that can meet different needs over time, and that minimise the use of resources;
8. A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes;
9. Good quality local public services, including education and training opportunities, health care and community facilities, especially for leisure;
10. A diverse, vibrant and creative local culture, encouraging pride in the community and cohesion within it;
11. A ‘sense of place’;
12. The right links with the wider regional, national and international community.

APPENDIX C

Capital Programme – Risk Assessment

Risk	Likelihood	Impact	Mitigation
Capital projects are approved without a full appraisal of the project and associated business case.	Reasonably Probable	Marginal	Strengthen the role of Corporate Programme Board when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Reasonably Probable	Marginal	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning. This may need to be reviewed if major schemes progress, e.g. Sands
VAT partial exemption rules are not considered.	Reasonably Probable	Marginal	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	Marginal	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Probable	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. NWDA grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from PRTB/Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 21 JULY 2014

EX.68/14 DRAFT CAPITAL STRATEGY 2015/16 TO 2019/20
(Key Decision – KD.14/14)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Finance, Governance and Resources Portfolio Holder presented report RD.19/14 on the Draft Capital Strategy 2015/16 to 2019/20. He informed Members that the Draft Capital Strategy was a key policy document, intended to direct the Council's Capital Programme and the allocation of resources for the five year period 2015/16 to 2019/20 and would complement and supplement guidance contained in the Medium Term Financial Plan. The Capital Strategy was reviewed annually alongside the Medium Term Financial Plan, commencing with the assumptions made in the Budget Resolution approved by Council on 4 February 2014. The position had been updated to reflect any known changes since that date.

The Portfolio Holder further outlined the objectives of the Capital Strategy, which were to:

- Ensure that capital investment decisions and capital resources contributed to the achievement of the Council's corporate priorities;
- co-ordinate strategic priorities emerging from service planning and ensure that investment opportunities were maximised;
- manage performance and decision making processes to help achieve the best use of available capital resources; and
- set out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money was obtained.

The Strategy had been developed using a number of overarching guidelines, details of which were provided.

The Finance, Governance and Resources Portfolio Holder outlined the current capital programme forecasts, reminding Members of the key assumptions which had been considered in making the projections including the Capital Programme of £7.217m for 2014/15 and £8.007m for 2015/16. The impact of the 2013/14 outturn and the carrying forward of budgets into 2014/15 and other adjustments had increased the programme to £9.716m in 2014/15.

The Finance, Governance and Resources Portfolio Holder indicated that the current capital programme forecast spending on capital projects of around £1m - £2.5m per annum for years 2017/18 to 2019/20, although past experience had indicated that actual spending would be much higher due, in the main, to the fact that a number of initiatives were still at an early stage of development and had not yet been included in the projections. He particularly identified the Asset Review Programme and Vehicle Replacement Programme, commenting that the position on those schemes would need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing could be made more accurately.

The report further set out an estimated level of capital finance resources which would be generated over the next five years and highlighted the current position regarding borrowing; capital receipts; reserves and balances; Government and other capital grants and external funding; and revenue contributions. Also summarised was the level of capital spending and available financing for the period 2014/15 to 2019/20 which indicated that currently there was approximately £5.6m uncommitted estimated capital resources available to support any future capital programme as at the end of 2017/18.

The Finance, Governance and Resources Portfolio Holder then moved the recommendation set out in the report.

Summary of options rejected None

DECISION

1. That the Report of the Director of Resources (RD.19/14) regarding the draft Capital Strategy 2015/16 to 2019/20 be received.

2. That the draft Capital Strategy be made available for consideration by the Resources Overview and Scrutiny Panel on 7 August 2014.

Reasons for Decision

To consult with the Resources Overview and Scrutiny Panel on the draft Capital Strategy for 2015/16 to 2019/20.

EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 7 AUGUST 2014

ROSP.44/14 DRAFT CAPITAL STRATEGY 2015/16 TO 2019/20

The Finance, Governance and Resources Portfolio Holder presented report RD.19/14 on the Draft Capital Strategy 2015/16 to 2019/20. He informed Members that the Draft Capital Strategy was a key policy document, intended to direct the Council's Capital Programme and the allocation of resources for the five year period 2015/16 to 2019/20 and would complement and supplement guidance contained in the Medium Term Financial Plan. The Capital Strategy was reviewed annually alongside the Medium Term Financial Plan, commencing with the assumptions made in the Budget Resolution approved by Council on 4 February 2014. The position had been updated to reflect any known changes since that date.

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The Strategy had been developed using a number of overarching guidelines, details of which were provided.

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He indicated that the current capital programme forecast spending on capital projects of around £1m - £2.5m per annum for years 2017/18 to 2019/20, although past experience had indicated that actual spending would be much higher due, in the main, to the fact that a number of initiatives were still at an early stage of development and had not yet been included in the projections. The Portfolio Holder particularly identified the Asset Review Programme and Vehicle Replacement Programme, commenting that the position on those schemes would need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing could be made more accurately.

The report further set out an estimated level of capital finance resources which would be generated over the next five years and highlighted the current position regarding borrowing; capital receipts; reserves and balances; Government and other capital grants and external funding; and revenue contributions. Also summarised was the level of capital spending and available financing for the period 2014/15 to 2019/20 which indicated that currently there was approximately £5.6m uncommitted estimated capital resources available to support any future capital programme as at the end of 2017/18.

The Executive had received the report on 21 July 2014 (EX.68/14 refers) and made it available for Scrutiny.

In considering the draft Capital Strategy Members raised the following comments and questions:

- *The report refers to borrowing of £5,000,000 in respect of leisure facilities. If the Council do decide to borrow that money would it be a loan with a repayment programme?*

The Chief Executive informed Members that the borrowing requirement indicated in the report would be subject to a detailed Business Case. It was intended that the money would be invested in important leisure facilities at the Sands Centre which would drive down the overall leisure cost in Carlisle. The Chief Executive confirmed that the loan would have a repayment programme.

- *Was the money to fund the improved pools not coming from the proposed development at Morton? Is that development going ahead?*

The Chief Executive explained that the Morton site was part of the disposal of assets programme and was being considered separately to the leisure project. That revolved around money being invested in leisure facilities which it was anticipated would make a saving on the subsidy paid to the leisure provider and return additional capital.

The disposal of assets and generation of capital was a longer term project that would lead to the repayment of the £15 million loan and would be included in the MTFP next year.

- *Was the disposal of the Morton site and other assets not linked to the leisure improvements which the report indicates would be dealt with by borrowing?*

The Chief Executive advised that if the Council borrowed money to improve leisure facilities savings could be made. However should the Council receive a windfall from the sale of assets the decision may be made not to borrow money.

The Finance, Governance and Resources Portfolio Holder added that the capital programme was not reliant on a windfall from the sale of the Morton site.

- *Three of the risks on the Capital Programme Risk Assessment were categorised as a high impact. What steps were being taken to address those risks?*

The Financial Services and HR Manager explained the steps being taken to monitor the risks involved with those issues.

- *Work required as part of a Section 106 Agreement would have to be put to tender as the Council no longer had a workforce to deal with highway issues. Since the County Council had taken over responsibility for the highways would it not be a better arrangement for all highways work to go to the County Council?*

The Finance, Governance and Resources Portfolio Holder advised that the City Council needed to maintain control over the spending of monies in respect of Section 106 Agreements and there were a number of vehicles that could be employed with regard to how the money was spent. If a decision was made by the City Council to spend the Section 106 Agreement funds Officers would look at the necessary procurement options.

- *With regard to play area improvements the report indicates that there will be £69,000 available for 2014/15 then nothing up to and including 2019/20. When equipment was removed from some of the play areas Members were given an assurance that remaining play areas would be enhanced and maintained to a good standard. If a piece of equipment was in need of replacement would that happen?*

The Finance, Governance and Resources Portfolio Holder explained that there was a diminishing budget in respect of play equipment and the £69,000 would be spent across the various play areas. When funding was available it would be used. The report did not contain the level of detail regarding the replacement of equipment but would be included in the maintenance budget reports. The Finance, Governance and Resources Portfolio Holder added that the maintenance budget for play equipment would be in the revenue budget.

- *It was decided at the last meeting of the Council that money would be invested with a Swiss bank and into a property portfolio. Would there be a point that would trigger a review of the disposal policy and was that policy still relevant?*

The Finance, Governance and Resources Portfolio Holder advised that Officers and Members would look at the investment if the economic situation changed. The investments with the Swiss bank and the property portfolio would be continually monitored.

The Chief Executive explained that the Asset Business Plan was a schedule of the disposable assets which had been agreed by Council and was covered by a policy from which the Executive could make relevant decisions. However each disposal case would be considered on its merits. Whilst consulting on any disposal of any asset Members of the Executive would be mindful that they would need to consult with Members and advise Members on what they were expecting to gain in terms of capital. Mechanisms were in place that would allow the Executive to refuse the disposal of an asset if conditions deemed it not to be a sensible choice. A policy framework was in place and the Executive made decisions based on that policy framework. Members also had the option to call in an Executive decision if they were concerned.

The Property Services Manager explained that the return on income was important and the Executive would consider the efficiency of an asset and it potential future uses.

RESOLVED – 1. That report RD.19/14 – Draft Capital strategy 2015/16 to 2016/20 be noted.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 18 AUGUST 2014

EX.80/14 **CAPITAL STRATEGY 2015/16 TO 2019/20
(Key Decision – KD.14/14)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Deputy Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.68/14, the Finance, Governance and Resources Portfolio Holder presented report RD.19/14 concerning the Capital Strategy 2015/16 to 2019/20. He emphasised that the Capital Strategy was a key policy document, intended to direct the Council's Capital Programme and the allocation of resources for the five year period 2015/16 to 2019/20; and would complement and supplement guidance contained in the Medium Term Financial Plan. The Capital Strategy was reviewed annually alongside the Medium Term Financial Plan, commencing with the assumptions made in the Budget Resolution approved by Council on 4 February 2014. The position had been updated to reflect any known changes since that date.

The Portfolio Holder summarised the objectives of the Capital Strategy, which had been developed using a number of overarching guidelines, details of which were provided.

In addition, the Finance, Governance and Resources Portfolio Holder outlined the current capital programme forecasts, reminding Members of the key assumptions which had been considered in making the projections including the Capital Programme of £7.217m for 2014/15 and £8.007m for 2015/16. The impact of the 2013/14 outturn and the carrying forward of budgets into 2014/15 and other adjustments had increased the programme to £9.716m in 2014/15.

The Finance, Governance and Resources Portfolio Holder indicated that the current capital programme forecast spending on capital projects of around £1m - £2.5m per annum for years 2017/18 to 2019/20, although past experience had indicated that actual spending would be much higher due, in the main, to the fact that a number of initiatives were still at an early stage of development and had not yet been included in the projections. He particularly identified the Asset Review Programme and Vehicle Replacement Programme, commenting that the position on those schemes would need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing could be made more accurately.

The report further set out an estimated level of capital finance resources which would be generated over the next five years and highlighted the current position regarding borrowing; capital receipts; reserves and balances; Government and other capital grants and external funding; and revenue contributions. Also summarised was the level of capital spending and financing for the period 2014/15 to 2019/20 which indicated that currently there was approximately £5.6m uncommitted capital resources available to support any future capital programme up to 2017/18.

The Resources Overview and Scrutiny Panel had scrutinised the matter on 7 August 2014 and resolved that report RD.19/14 – Draft Capital Strategy 2015/16 to 2019/20 be noted. A copy of Minute Excerpt ROSP.44/14 had been circulated.

The Chairman of the Resources Overview and Scrutiny Panel confirmed that he had nothing further to add.

The Finance, Governance and Resources Portfolio Holder then moved the recommendation set out in the report, which was seconded by the Leader.

Summary of options rejected None

DECISION

1. That the Executive had considered the observations of the Resources Overview and Scrutiny Panel as detailed within Minute ROSP.44/14.
2. That the Capital Strategy 2015/16 to 2019/20 be referred to the meeting of the City Council on 9 September 2014 with a recommendation that the Strategy be approved.

Reasons for Decision

To consider the comments of the Resources Overview and Scrutiny Panel on the draft Capital Strategy prior to recommending the Strategy to Council for approval