



# REPORT TO EXECUTIVE

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## PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

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Date of Meeting: 22 January 2007

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Public

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Key Decision: Yes

Recorded in Forward Plan: Yes

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Inside Policy Framework

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**Title:** PROVISIONAL CAPITAL PROGRAMME 2006/07 TO 2009/10  
**Report of:** Director of Corporate Services  
**Report reference:** CORP78/06

### Summary:

The report provides an update to CORP63/06, which was considered by the Executive on 18 December. It details the revised capital programme for 2006/07 together with the proposed method of financing and summarises the proposed programme for 2007/08 to 2009/10 in the light of the new capital proposals submitted to date and the estimated capital resources available to fund the programme.

### Recommendations:

The Executive is asked to:

- (i) Approve the capital budgets to be carried forward to future years for recommendation to Council on 6 February;
- (ii) Make recommendations on the revised capital programme and relevant financing for 2006/07 and the provisional capital programme for 2007/08 to 2009/10 in the light of the capital bids submitted to date, together with the estimated capital resources available, for recommendation to Council on 6 February;
- (iii) Recommend that any capital scheme approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved by the Executive.

**Contact Officer:** Alison Taylor

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## CITY OF CARLISLE

To: The Executive  
22 January 2007

CORP78/06

### PROVISIONAL CAPITAL PROGRAMME 2006/07 TO 2009/10

#### **1. INTRODUCTION**

- 1.1 This report provides an update to CORP63/06, which was considered by the Executive on 18 December, and details the revised capital programme together with the proposed methods of financing.

#### **2. CAPITAL RESOURCES**

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
- Borrowing (Prudential Code - see paragraph 6.2)
  - Capital Grants e.g. Lottery Commission, Sports England, DFG, RHG
  - Capital Receipts e.g. proceeds from the sale of assets
  - Council Reserves e.g. Projects Fund, Renewals Reserve
- 2.2 It should be noted that capital resources can only be used to fund capital expenditure and cannot (with the exception of the Council's own Reserves), be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.3 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).
- 2.4 If required the cost of borrowing each £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £87,500. This is made up of £47,500 for the cost of the interest payable (4.75% of £1m equates to £47,500) and a principal repayment provision of 4% of the outstanding sum (4% of £1m equates to £40,000). It should be noted that the Council has not undertaken any borrowing to support the capital programme in the past two years.

### 3. REVISED CAPITAL PROGRAMME 2006/07

- 3.1 The capital programme for 2006/07 totalling £13,153,400 was approved by the Council on 18 July 2006 as detailed in the 2005/06 out-turn report (FS15/06).
- 3.3 Amendments to the capital programme totalling £1,404,330 were identified in report CORP54/06 considered by the Executive on 20 November 2006 and these amendments have now been incorporated into the revised capital programme for 2006/07 (see Appendix A).
- 3.4 In addition, the newly formed Capital Projects Board has made an initial attempt to identify progress to date on individual schemes with a view to re-profiling the current programme over the next three years. The report to the Executive on 20 November (CORP54/06) indicated a significant level of under-spend on capital projects, resulting in a significant level of slippage to 2007/08. This slippage has now been assessed at a total of **£2,070,100** and it is recommended that this be carried forward to future years. This carry forward has been reflected in this report and in **Appendix A**. The Capital Projects Board will continue to monitor progress on the current programme at their regular meetings and continue to work on re-profiling the Capital Programme more accurately.
- 3.5 The Executive also considered the position on the Renewals Reserve on 20 November 2006. Since the date of the meeting further work has been carried out to identify additional resources to finance spending from the Renewals Fund. It is anticipated that £135,000 p.a. is available from revenue budgets across the Council to supplement the resources currently available from the Renewals Reserve and this will be transferred into the reserve. In addition the IT replacement programme has been re-evaluated for 2006/07 resulting in a reduction in requirements in 2006/07 of some £117,800, which will be deferred until 2008/09. However approximately £67,200 of this reduction will be required to be brought forward to fund CCTV equipment from contributions made and other minor items of expenditure in 2006/07, which is additional to the programme previously considered by the Executive for 2006/07. Overall therefore, the revised spending position on the Renewals Reserve for 2006/07 can be summarised as follows: -

	£
Vehicles/Plant	576,969
IT	142,600
Equipment	<u>79,700</u>
	<u>799,269</u>

3.6 Taking the above into account, the revised capital programme for 2006/07 now totals £9,746,170 as detailed in **Appendix A**, whilst **Appendix B** details the anticipated use of capital resources. A summary of the revised programme for 2006/07 is shown below:

	£	App
<b>2006/07 Original Capital Programme</b>	13,153,400	<b>A</b>
Other adjustments	(1,404,330)	<b>A</b>
Slippage to future years	(2,070,100)	<b>A</b>
New Schemes (Renewals Reserve)	67,200	<b>A</b>
<b>2006/07 Revised Capital Programme</b>	<b>9,746,170</b>	<b>A</b>
Estimated Capital Resources available	(25,867,667)	<b>B</b>
<b>Projected (Surplus) capital resources</b>	<b>(16,121,497)</b>	
Projected Surplus Capital Resources as at 31/03/07:		
• Projects Fund	(4,371,698)	
• Capital Receipts	(11,749,799)	

#### 4. NEW CAPITAL SPENDING PROPOSALS 2007/08 TO 2009/10

4.1 Due to the large anticipated slippage on the 2006/07 programme, the Executive is recommended to keep new capital scheme approvals for 2007/08 to a minimum. This will allow resources to be directed to complete existing schemes and, at the same time, help the Council's revenue position by maintaining investment income.

4.2 New capital spending proposals are summarised in the following table. However, many of the proposals (as indicated) require further appraisal and strengthened business cases, and therefore if they are approved for inclusion in the Council's Capital Programme as part of this budget process, the release of any budget would be subject to a further full report to the Capital Projects Board and the Executive.

<b>Capital Scheme</b>	<b>App/ Para</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>Future £000</b>
<b><u>Current Commitments:</u></b>					
Slippage from 2006/07	A	1,952	118	0	
Private Sector Housing Investment	*	814	814	814	
Major Repairs to Council Property	4.5	250	250	250	
Desk top PCs		120	120	120	
Vehicles and Plant	4.6/C	130	120	333	
IT Equipment	4.6/C	310	140	288	
Equipment	4.6/C	96	0	0	
Industrial Estate Maintenance	*	200	200	200	
Housing Strategy (5 Year)		1,250	1,250	1,145	
Heysham Park		154	0	0	
Environmental Enhancements		40	40	40	
<b>Total Current Commitments</b>		<b>5,316</b>	<b>3,052</b>	<b>3,190</b>	
<b><u>New Spending Proposals</u></b>					
Belah Community Centre	*	320	0	0	
Environmental Enhancements	*	160	0	0	
New Performance Information System	*	50	0	0	
Play Areas	*	75	50	50	50
<b>Total New Proposals</b>		<b>605</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>5,921</b>	<b>3,102</b>	<b>3,240</b>	<b>50</b>

- 4.3 Details of all new schemes were provided in CORP54/06 considered by the Executive on 20 November 2006. Those proposals marked as \* require further appraisal and strengthened Business Cases prior to the release of any budget. The business case would be subject to verification by the Capital Projects Board and a further report approved by the Executive.
- 4.4 The Private Sector Housing Investment budget is to cover Disabled Adaptations Grants, Renovations Grants and Minor Works Grants.

- 4.5 The budgetary implications concerning the Major Repairs to Council Property were considered by the Executive on 20 November 2006.
- 4.6 The resources available from the Renewals Reserve have also been re-assessed in the light of the changes identified in paragraph 2.4. The additional contributions for vehicle replacements of £135,000 p.a. will mean that there will be adequate resources in the Reserve to fund the identified programme over the next 3 - 5 years. A revised position statement is attached as **Appendix C** to this report.

## **5. FUTURE COMMITMENTS**

- 5.1 In addition to the spending proposals in paragraph 4.2 there may be potential funding implications arising from the following issues which will be reported on fully as details become available: -

- Carlisle Renaissance,
- Tullie House Development Plan,
- Play Area Strategy,
- Sports Feasibility Study,
- Theatre/Performing Arts,
- Asset Review Programme (paragraph 5.2)

Resources to meet any proposals arising from these and any other potential schemes will need to be identified and financed from existing resources and external sources as and when the projects have been appraised and business cases prepared.

- 5.2 An earmarked reserve has already been established for the Asset Review Programme (£1m) and Strategic Property purchases (Carlisle Renaissance - £1m) totalling £2m after the 2006/07 contribution. Further reports will be prepared for the Executive when specific spending is proposed on these issues.

## **6. POTENTIAL CAPITAL RESOURCES AVAILABLE**

- 6.1 The estimated resources available to finance the capital programme for 2007/08 to 2009/10 are set out below.

<b>Source of Funding</b>	<b>Para</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>
<u>Capital Grants:</u>				
• Regional Housing Pot	6.3	(1,110)	(1,110)	(1,110)
• Disabled Facilities Grant	6.4	(205)	(205)	(205)
• General	6.5	(120)	0	0
• Slippage from 2006/07		(183)	0	0
<u>Capital Receipts:</u>				
• Opening balance		(11,749)	(12,144)	(12,835)
• Generated in year – General	6.6	(2,962)	(1,000)	(1,000)
• Generated in year – PRTB	6.7	(1,200)	(1,100)	(552)
<u>Reserves:</u>				
• Projects Reserve	6.8	(3,878)	(2,116)	(293)
• Renewals Reserve	6.9	(536)	(378)	(621)
<b>TOTAL</b>		<b>(21,943)</b>	<b>(18,053)</b>	<b>(16,616)</b>

6.2 A new system of capital finance (Prudential Code) was introduced on 1<sup>st</sup> April 2004, which gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst the new freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process. Further details on the Code were incorporated into CORP49/06 considered by the Executive on 20 November.

In terms of the current 3-year capital programme, the Council currently has no need to take on any prudential borrowing due to the level of capital receipts it is currently generating. However, the projections of capital receipts start to reduce considerably after 2009/10 and at this stage, the use of prudential borrowing to fund the capital programme may need to be considered. In addition, the potential issues considered in paragraph 5.1 may require consideration of prudential borrowing.

- 6.3 The old system of capital funding of supported borrowing has now been removed from the Revenue Support Grant allocation and has been replaced by a separate capital grant funded from the Regional Housing Pot. This is estimated at £1.110m for future years, although the actual allocation will not be received until February 2007. Early indications show that the Council may receive a similar allocation in 2007/08 to that received in 2006/07 (£1.503m), however confirmation of the allocation is still awaited and so the projection has not at this stage been updated. The Executive's budget proposals presented to Council on 6 February may therefore be amended in the light of the final grant allocation if confirmation has been received.
- 6.4 Disabled facilities grant allocation will not be announced until February 2007, and therefore the projection is based on current allocations. The Executive's budget proposals presented to Council on 6 February will therefore be amended in the light of the allocation if confirmation has been received. It should be noted that the DFG grant covers 60% of the expenditure, with the Council meeting 40% from its own resources.
- 6.5 This relates specifically to a capital grant anticipated in respect of the Belah Community Centre scheme. If the grant applications are not successful then the overall project will need to be revised to ensure that the Council's contribution does not exceed £200,000.
- 6.6 Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals, as a result of the Council's Surplus Land Policy are estimated at £1,000,000 per annum.
- 6.7 The Preserved Right to Buy (PRTB) sharing arrangement with CHA is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales have been running at considerably above original projections, and the Table above sets out the current projections of receipts anticipated over the three-year period.
- 6.8 This is the estimated amount available in the Projects Reserve to support capital expenditure after taking account of the revenue budget shortfall projected as part of the 2007/08 budget setting process, which is a first call on the Projects Reserve. Given the level of the revenue budget shortfall, the Projects Reserve has not been used to fund any capital expenditure. All supplementary estimates approved to date have been funded from the Projects Reserve, these include Raffles Vision budget of £32,500 and the Planning Standards Authority of £315,000 over the next three year period approved by the Executive on 12 June 2006. The Projects Reserve balance



has increased as a result of the recent notification in the LABGI allocation, adding an additional £1.153m and £1.288m for 2006/07 and 2007/08 respectively. The Reserve now shows a surplus balance as at the end of 2009/10, however if any schemes are approved from this allocation the reserve will reduce accordingly.

6.9 The Renewals Reserve is an earmarked reserve for the replacement of Vehicles, Equipment and Plant. The level and usage of the reserve has been subject to a full review (CORP56/06) and the level of resources is shown in **Appendix C** to this report.

## 7. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2007/08 TO 2009/10

A summary of the estimated resources compared to the proposed programme is set out below:

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Estimated Resources available (para 3.6 and 6.1)	(25,867)	(21,943)	(18,053)	(16,616)
Proposed Programme (paras 3.6 & 4)	9,746	5,921	3,102	3,240
<b>Projected (Surplus)/deficit</b>	<b>(16,121)</b>	<b>(16,022)</b>	<b>(14,951)</b>	<b>(13,376)</b>
Cumulative year end Position				
• Projects Reserve	<b>4,372</b>	<b>(3,878)</b>	<b>(2,116)</b>	<b>(293)</b>
• Capital Receipts	<b><u>(11,749)</u></b>	<b><u>(12,144)</u></b>	<b><u>(12,835)</u></b>	<b><u>(13,083)</u></b>
	<b>(16,121)</b>	<b>(16,022)</b>	<b>(14,951)</b>	<b>(13,376)</b>

## 8. CONSULTATION

8.1 As part of the budget consultation process the proposed Capital Programme has been considered by the Corporate Resources Overview & Scrutiny Committee, Trade Unions, Large Employers Affinity Group and Non-Domestic Ratepayers.

8.2 The financial implications arising from this report will form part of the Executive's budget proposals, which will be considered by Council on 6 February.

## 9. RECOMMENDATIONS

The Executive is asked to:

- (i) Approve the capital budgets to be carried forward to future years for recommendation to Council on 6 February;
- (ii) Make recommendations on the revised capital programme and relevant financing for 2006/07 and the provisional capital programme for 2007/08 to 2009/10 in the light of the capital bids submitted to date, together with the estimated capital resources available, for recommendation to Council on 6 February;
- (i) Recommend that any capital scheme approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## 10. IMPLICATIONS

- Staffing/Resources – will be considered in more detail through individual project appraisals.
- Financial – included within the report
- Legal – none
- Corporate – SMT have previously considered the new spending proposals contained within this report.
- Risk Management – will be considered in more detail through individual project appraisals.
- Equality Issues – none
- Environmental – will be considered in more detail through individual project appraisals.
- Crime and Disorder – will be considered in more detail through individual project appraisals.

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**REVISED CAPITAL PROGRAMME 2006/07**

**APPENDIX A**

<b>Scheme</b>	<b>2006/07 Original July £</b>	<b>2006/07 Revised Nov £</b>	<b>2006/07 Revised Dec £</b>	<b>Notes</b>
Land & Property Gazetteer	33,700	33,700	33,700	
Bitts Park Water Feature	4,300	4,300	4,300	
Leisuretime Investment	91,500	91,500	34,200	10
Shaddonmill	22,000	22,000	22,000	
Industrial Estate Maintenance	200,000	200,000	200,000	
Asset Investment Fund	27,200	27,200	27,200	
Vehicles Plant & Equipment	1,398,400	849,870	799,270	1/10
DDA	21,200	21,200	21,200	
Major Repairs	346,600	346,600	346,600	
Kingmoor Nature Reserve	8,000	8,000	8,000	
Hardwicke Circus Fountain	20,000	20,000	20,000	
City Wi Fi	20,000	20,000	20,000	
Desk Top replacement	120,000	120,000	120,000	
Payroll/personnel replacement	158,900	190,900	153,900	2/10
Private Sector Renewal	1,629,600	1,629,600	1,612,600	10
Sheepmount Development	50,000	30,000	30,000	10
Customer Contact	59,100	59,100	59,100	
Customer Services	150,000	150,000	0	10
Cremator Replacements	778,000	778,000	355,000	
Raffles Vision	181,800	0	0	3
Car Park	39,100	39,100	39,100	
Play Areas	50,000	50,000	50,000	
Millennium Scheme	136,700	136,700	136,700	
Civic Centre	20,300	20,300	20,300	
Back Lanes	56,300	106,300	106,300	4
Willowholme Industrial estate	172,200	172,200	42,200	10
California Road Football pitch	8,700	8,700	7,700	10
Dale End Road Football pitch	8,700	8,700	7,700	10
Fusehill Street Play Area	58,800	58,800	56,800	
Corporate IT Infrastructure	35,000	35,000	35,000	
Synthetic Football Pitch	250,000	250,000	0	10
Renaissance Improvements	100,000	100,000	50,000	10
GIS	239,900	239,900	239,900	
Document Image Processing	45,000	45,000	0	10
ODPM Private Sector Renewal	695,800	695,800	520,800	10
Flood recovery Civic Centre	195,000	195,000	195,000	
Bitts Park Play Area	162,800	162,800	162,800	
Heysham Park	165,700	165,700	165,700	
Sheepmount Bridge	103,200	123,200	120,200	10

Housing Strategy	2,110,100	1,265,100	1,265,100	5
Multi Use Games Area	29,000	29,000	24,000	10
Multi Use Games Area (Hammonds)	0	67,000	64,000	6/10
Environmental Improvements	100,000	300,000	300,000	7
Waste Minimisation	905,000	905,000	905,000	
Electronic Documents Records Sys	353,000	353,000	35,000	10
CTS/EPS IT system	130,000	130,000	0	10
Greystone Community centre	90,000	90,000	0	10
Chances Park	40,000	40,000	0	10
Software Licences	240,000	0	0	8
IEG	214,300	214,300	214,300	
Small Scale Community Projects	60,000	60,000	60,000	
Energy efficiency	0	62,000	62,000	9
Talkin Tarn	1,018,500	1,018,500	993,500	10
<b>TOTAL</b>	<b>13,153,400</b>	<b>11,749,070</b>	<b>9,746,170</b>	

**Notes:**

1. Reduction in the replacement programme following the Renewals Reserve review considered by the Executive on 20 November (CORP 56/06)
2. Increase in the scheme of £32,000 funded from revenue contributions as approved by the Executive on 29 August 2006 (FS40/06)
3. Budget no longer required as reported to the Executive on 12 June 2006 (CS28/06)
4. Anticipated contribution of £50,000 expected from external sources
5. Re-profiling of overall Housing strategy budgets deferring £845,000 to 2009/10 as agreed by the Executive on 25 September 2006 (DS58/06)
6. Additional MUGA scheme which is funded from external contributions
7. £200,000 supplementary estimate approved by Council on 18 July 2006
8. Charged to the Revenue budget
9. £62,000 supplementary estimate approved by Council on 12 September 2006
10. Slippage to future years (paragraphs 3.4 and 3.5)

**APPENDIX B**

**REVISED CAPITAL PROGRAMME 2006/07 – PROPOSED FINANCING**

<b>Source of funding</b>	<b>2006/07 Original £</b>	<b>2006/07 Revised Nov £</b>	<b>2006/07 Revised Dec £</b>	<b>Notes</b>
<u>Capital Grants:</u>				
• RHP	(1,503,000)	(1,503,000)	(1,503,000)	
• DFG	(205,000)	(205,000)	(205,000)	
• Sports England/Football Foundation	(724,800)	(724,800)	(544,800)	5
<u>Capital Receipts:</u>				
• B/fwd from previous year	(11,971,594)	(11,971,594)	(12,170,999)	6
• PRTB receipts	(1,400,000)	(2,500,000)	(2,500,000)	1
• Generated in year	(2,480,000)	(3,605,000)	(3,605,000)	1
<u>Capital Reserves:</u>				
• Projects Fund	(3,390,145)	(3,302,245)	(4,371,699)	2/6
• Renewals Reserve	(1,397,800)	(849,870)	(799,269)	3
<u>Revenue Reserves:</u>				
• GF Balances	0	0	0	
• External contributions	(21,500)	(170,900)	(167,900)	4/5
• Property Surplus	0	0	0	
• HRA Balances	0	0	0	
<b>TOTAL FINANCE AVAILABLE</b>	<b>(23,093,839)</b>	<b>(24,832,409)</b>	<b>(25,867,667)</b>	
<b>TOTAL PROGRAMME (SEE APP A)</b>	<b>13,153,400</b>	<b>11,749,070</b>	<b>9,746,170</b>	
<b>PROJECTED SURPLUS CAPITAL RESOURCES C/F TO 2007/08</b>	<b>(9,940,439)</b>	<b>(13,083,339)</b>	<b>(16,121,497)</b>	

**Notes:**

1. Increase in projections as a result of actual receipts received to date and higher than expected sale of assets, by both the Council and CHA
2. Amendments to the level of Projects Reserve to support the Capital programme as a result of supplementary estimates approved during the year; £55,400 for Planning Standards Authority and £32,500 for Raffles Vision revenue costs, and the additional LAGBI allocation for 2006/07 of £1.153m
3. Reduction in the use of the Renewals Reserve following the fundamental review of the reserve considered elsewhere on the agenda (CORP 56/06)
4. Increased use of external contributions to finance capital expenditure; £50,000 Back Lanes, £32,000 Payroll/personnel system, £67,000 MUGA scheme, rounding of £400
5. Amendments due to slippage on the 2006/07 programme
6. Revised figures as a result of the conclusion of the Audit on the 2005/06 accounts.



## Appendix C

