

Report to Executive	Agenda Item: A.1(b)
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Meeting Date: 16 December 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
 Within Policy and Budget Framework YES
 Public / Private Public
 Title: PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19
 Report of: DIRECTOR OF RESOURCES
 Report Number: RD65/13

Purpose / Summary:

The report provides an update to RD56/13, which was considered by the Executive on 18 November. The report details the revised capital programme for 2013/14 together with the proposed method of financing as set out in Appendices A and B.
 The report also summarises the proposed programme for 2014/15 to 2018/19 in light of the capital pressures identified, and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2013/14 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £710,000 from 2013/14;
- (iii) Make recommendations on the Provisional Capital Programme for 2014/15 to 2018/19 in light of the capital bids submitted to date together with the estimated available capital resources, for budget consultation purposes;
- (iv) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	16 December 2013
Overview and Scrutiny:	6 January 2014
Council:	4 February 2014

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2013/14 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2014/15 to 2018/19, together with the potential resources available to fund the programme.
- 1.3 A Corporate Programme Board of senior officers continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

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 5.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Strategy, the Director of Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 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.
- 2.4 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).
- 2.5 The cost of borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £85,000. This is made up of £45,000 for the cost of the interest payable (4.50% of £1m equates to £45,000)

and a principal repayment provision of 4% of the outstanding sum (4% of £1m equates to £40,000).

3. REVISED CAPITAL PROGRAMME 2013/14

- 3.1 The capital programme for 2013/14 totalling £4,760,200 was approved by Council on 16 July 2013 as detailed in the 2012/13 out-turn report (RD11/13).
- 3.2 The revised capital programme for 2013/14 now totals £7,403,900 as detailed in **Appendix A**. This is a result of the reprofiling exercise and review of the capital programme that has been carried out and other in year adjustments, and is subject to approval by Council.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 It is anticipated that there will be a significant shortfall on anticipated capital receipts generated during 2013/14, estimated at a net figure of £19 million below the current projections. The reductions relate to the removal of significant capital receipts from the capital programme until more certainty over when they will be realised is available.

Source	Original Updated £	Revised £	Difference £
PRTB Agreement	(150,000)	(150,000)	0
Lovells Sales	(160,000)	(160,000)	0
Asset Sales - General	(500,000)	(500,000)	0
Asset Sales - Asset Review (Reprofiling)	(21,218,000)	(2,218,000)	19,000,000
Anticipated Capital Receipts 2013/14	(22,028,000)	(3,028,000)	19,000,000

- 3.5 A summary of the revised programme for 2013/14 is shown below:

Summary Programme	£	Appx
2013/14 Original Capital Programme	4,760,200	A
Reprofiling (result of review of programme)	(710,000)	
Other adjustments	3,353,700	
Revised Capital Programme (Sept 2013)	7,403,900	A
Estimated Capital Resources available	(11,846,998)	B
Projected (Surplus) capital resources	(4,443,098)	

4. NEW CAPITAL SPENDING PROPOSALS 2014/15 TO 2018/19

4.1 The existing and new capital spending proposals are summarised in the following table.

Capital Scheme	App/ Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Current Commitments:						
Vehicles & Plant	4.3	279	1,901	200	200	200
Planned Enhancements to Council Property	4.4	350	300	300	300	300
Disabled Facilities Grants	4.5	863	863	863	663	663
Arts Centre		1,015	0	0	0	0
Harraby School and Community Campus Capital Contribution		500	500	0	0	0
Old Town Hall/Greenmarket Leisure Facilities	4.6	1,400	38	0	0	0
Public Realm Work S106	4.4	0	5,000	0	0	0
Castle Way S106	4.4	360	0	0	0	0
		300	0	0	0	0
Total Existing Commitments		5,067	8,602	1,363	1,163	1,163
New Spending Proposals						
Vehicles & Plant	4.3	(59)	(792)	1,021	913	183
Disabled Facilities Grants	4.5	0	0	0	200	200
ICT Shared Service	4.7	210	197	205	204	195
Asset Management Plan	4.8	1,800	0	0	0	0
Sheepmount Road	4.9	30	0	0	0	0
Bits Park Access	4.10	10	0	0	0	0
Enterprise Centre / West Walls	4.11	70	0	0	0	0
Total New Proposals		2,061	(595)	1,226	1,317	578
TOTAL POTENTIAL PROGRAMME		7,128	8,007	2,589	2,480	1,741

4.2 Many of the new spending proposals have not yet been considered by the Corporate Programme Board. Therefore should they be approved for inclusion in the Council's Capital Programme as part of this budget process, the release of any earmarked reserve would be subject to verification of the business case by the Corporate Programme Board and a report to the Executive as appropriate.

Likewise details of the proposals for spend in committed areas will be subject to a full report and Business Case to the Corporate Programme Board before the release of any earmarked reserve.

4.3 The anticipated budgets for replacement of the Council's vehicle fleet are included in the table above and have been amended to reflect revised requirements within service areas.

4.4 Castle Way S106, Public Realm S106 and Planned Enhancements to Council Properties have been revised upwards in 2014/15 to include carry forwards from 2013/14. The suggested prioritisation for the 2014/15 Planned Enhancements to Council Properties is as follows:

Property	Project	£
Tullie House Museum	Re-cover flat roof over education room	20,000
Tullie House Museum	Renew rooflights at education room area	20,000
Morton Community Centre	Re-cover flat roof over the reception area	30,000
Enterprise Centre	Re-cover flat roofs	60,000
West Walls	Stone repairs	20,000
Civic Centre	Refurbish / rewire floor 3 and 4	150,000
Civic Centre	Carry forward from 2013/14	50,000
	Total	350,000

4.5 Council funding of £200,000 per annum is included until 2016/17; the position will then be reviewed based upon the operational responsibilities and requirements of the service.

4.6 Old Town Hall Phase 2 has been reprofiled as detailed in previous reports to the Executive.

4.7 The current ICT hardware and software replacement programme comes to an end in 2013/14.

4.8 Asset Management Plan expenditure has been removed and replaced with expenditure budgets for required improvement works.

4.9 To create safe access and ancillary hard standing areas at Sheepmount.

4.10 To create permanent hard standing access for vehicles in connection with the events held at Bitts Park.

4.11 Enhancements to the Enterprise Centre and West Walls.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2014/15 to 2018/19 based on the announcements by Government in the spending review.

Source of Funding	Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital Grants:						
• Disabled Facilities Grant	5.3	(663)	(663)	(663)	(663)	(663)
• General Grants/Contributions	5.4	(660)	0	0	0	0
External Borrowing	5.5	0	(5,000)	0	0	0
Capital Receipts:						
• Generated in year – General	5.6	(260)	(260)	(260)	(260)	(260)
• Generated in year – Asset Business Plan	5.7	(3,256)	(1,340)	0	0	0
• Generated in year – PRTB	5.8	(150)	(150)	(150)	(150)	0
Direct Revenue Financing / Invest to Save	5.9	(101)	(101)	(66)	(66)	(34)
TOTAL		(5,090)	(7,514)	(1,139)	(1,139)	(957)

5.2 The Prudential Code, which was introduced in 2004, 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 can be found elsewhere on the agenda in the Treasury Management Report (RD63/13).

5.3 Disabled facilities grant allocation will not be announced until January 2014, although it has been assumed that this grant will be protected at the 2013/14 levels. A further report will be presented to the Executive once the 2014/15 allocation has been received.

5.4 Section 106 contributions towards Castle Way and Public Realm Work.

5.5 External borrowing to fund Sands Centre.

- 5.6 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.
- 5.7 Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.
- 5.8 The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.
- 5.9 Direct revenue financing in relation to invest to save schemes.

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19

- 6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Estimated in year Resources available (para 5.1)	(5,090)	(7,514)	(1,139)	(1,139)	(957)
Proposed Programme (para 4.1)	7,128	8,007	2,589	2,480	1,741
Projected (Surplus)/Deficit	2,038	493	1,450	1,341	784
Cumulative B/Fwd Balance	(4,443)	(2,405)	(1,912)	(462)	879
Cumulative year end Position					
• Capital (Surplus) / Deficit	(2,405)	(1,912)	(462)	879	1,663

- 6.2 The Council may need to consider additional borrowing from 2017/18 onwards unless the significant receipts removed from the capital programme (see para 3.7) are realised before this time.

7. CONSULTATION

- 7.1 The Executive draft budget will be issued for consultation on 16 December. The consultation feedback will be considered by the Executive on 15 January, following which the Executive will make final budget recommendations to Council on 4 February 2014.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2013/14 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £710,000 from 2013/14;
- (iii) Make recommendations on the Provisional Capital Programme for 2014/15 to 2018/19 in light of the capital bids submitted to date together with the estimated available capital resources, for budget consultation purposes;
- (iv) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 The capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Director of Resources. The Council must have a

balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Local Environment – not applicable

Resources – Contained within the report

Scheme	2013/14 Original July 2013 £	2013/14 Revised Nov 2013 £	Notes
Disabled Facilities Grants	863,000	863,000	
Planned Enhancements to Council Property	300,000	250,000	1
Vehicles, Plant & Equipment	570,500	570,500	
IT Equipment	3,000	3,000	
ICT Shared Service	222,300	222,300	
Public Realm Work S106	370,000	10,000	1
Clean Up Carlisle	20,500	20,500	
Arts Centre	250,000	50,000	1 / 2
Public Realm Work	100,000	100,000	
Paternoster Row	100,000	100,000	
Harraby School & Community Campus Contribution	600,000	600,000	
Castleway S106	346,800	46,800	1
Document Image Processing	13,500	13,500	
PCIDSS	30,600	30,600	
Families Accommodation Replacement	608,600	608,600	
Old Town Hall	298,500	298,500	
Old Town Hall Phase 2	0	62,000	3
Kingstown Industrial Estate	32,900	32,900	
Connect 2 Cycleway	11,700	11,700	
Trinity Church Multi Use Games Area	2,100	2,100	
Play Area Improvements	6,200	6,200	
Castle Street Public Realm Improvements	10,000	10,000	
Asset Review Purchases/Expenditure	0	2,712,500	2
Customer Contact Centre	0	40,000	2
Employee Payment & Resource Management System	0	70,000	2
Empty Homes	0	305,700	2
Bring Sites Vehicle	0	227,000	2
Purple Sacks	0	69,500	2
Cenotaph	0	67,000	2
TOTAL	4,760,200	7,403,900	

Notes:

1. Budget reprofiled to future years.
2. Other variations relate to virements between schemes or additional/reduced contributions as set out in previous Executive reports.
3. Budget brought forward from future years.

REVISED CAPITAL PROGRAMME 2013/14 – PROPOSED FINANCING

Source of funding	2013/14 Original £	2013/14 Revised £	Notes
Capital Grants:			
• DFG	663,000	663,000	
• General	37,900	320,600	1
Capital Receipts:			
• B/fwd from previous year	7,463,798	7,463,798	
• PRTB receipts	150,000	150,000	2
• Generated in year	660,000	660,000	
• Generated in year (Asset Review)	22,218,000	2,218,000	3
Capital Contributions			
• General	716,800	56,800	4
Use of Reserves/Internal Borrowing	45,500	0	5
Direct Revenue Financing	123,000	314,800	6
TOTAL FINANCE AVAILABLE	32,077,998	11,846,998	
TOTAL PROGRAMME (SEE APP A)	4,760,200	7,403,900	
PROJECTED SURPLUS CAPITAL RESOURCES AVAILABLE	27,317,798	4,443,098	

Notes:

- Capital grant has been increased to include new funding for Empty Properties and Cenotaph Improvements.
- Revised projections from Riverside Group for 2013/14 will be provided in a future report to the Executive.
- The anticipated receipts from the Asset Management Plan have been reduced in line with revised projections.
- Changes to general receipts relate to Castle Way S106 (£300,000) and Public Realm Works S106 (£360,000). These have been reprofiled into 2014/15 in line with revised projections.
- Resources have been removed from the capital programme.
- Changes to Direct Revenue Financing relate to Customer Contact Centre (£40,000), Employee Payment and Resource Management System (£14,000), Town Clocks Invest to Save (£3,100), Solar Panels (£15,200), Empty Homes (£50,000) and Purple Sacks (£69,500).