



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE, GOVERNANCE & RESOURCES

Date of Meeting: 19 November 2012

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

**Title: REVISED CAPITAL PROGRAMME 2012/13 AND
PROVISIONAL CAPITAL PROGRAMME 2013/14 TO 2017/18**

Report of: DIRECTOR OF RESOURCES

Report reference: RD46/12

Summary:

The report details the revised capital programme for 2012/13 together with the proposed method of financing as set out in Appendices A and B.

The report also summarises the proposed programme for 2013/14 to 2017/18 in the light of new capital pressures identified, and summarises the estimated and much reduced capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2012/13 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £3,000,000 and savings of £2,080,300 from 2012/13 identified in the review;
- (iii) Make recommendations to Council to approve virements from underspends from Kingstown Industrial Estate (£150,100) and Families Accommodation Replacement (£100,000) to fund additional expenditure at the Resource Centre;
- (iv) Give initial consideration and views on the capital spending requests for 2013/14 to 2017/18 contained in this report in the light of the estimated available resources;
- (v) 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;

Contact Officer: Peter Mason

Ext: 7270

CITY OF CARLISLE

To: The Executive
19 November 2012

RD46/12

PROVISIONAL CAPITAL PROGRAMME 2012/13 TO 2017/18

1. INTRODUCTION

- 1.1 This report details the revised capital programme for 2012/13 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 2013/14 to 2017/18, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five year planning period are set out in the following policy documents that were approved by Council on 11 September 2012:
 - Capital Strategy 2013-14 to 2017-18 (Report RD30/12)
 - Asset Management Plan (Report RD36/12)
- 1.4 A Project Assurance Group 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 2012/13

- 3.1 The capital programme for 2012/13 totalling £12,728,300 was approved by Council on 17 July 2012 as detailed in the 2011/12 out-turn report (RD10/12).
- 3.2 The revised capital programme for 2012/13 now totals £8,105,200 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.

An adjudication notice received on the Resource Centre awarded a final account payment to the contractor of £218,603.42. Approval to pay this was received through an Officer Decision presented elsewhere on the agenda. The projected final overspend on this project due to the adjudication and increased retentions from contractors is £250,100. It is proposed to fund the additional costs from underspends on other projects. **(Executive are asked to consider for recommendation to Full Council the transfers from underspends on Kingstown Industrial Estate (£150,100) and Families Accommodation replacement (£100,000) to fund the additional costs on the Resource Centre.**

- 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 A summary of the revised programme for 2012/13 is shown below:

Summary Programme	£	Appx
2012/13 Original Capital Programme	12,728,300	A
Reprofiling (result of review of programme)	(3,000,000)	
Reduction in Programme	(2,080,300)	
Other adjustments	457,200	
Revised Capital Programme (Sept 2012)	8,105,200	A
Estimated Capital Resources available	(12,506,350)	B
Projected (Surplus) capital resources	(4,401,150)	

- 3.5 The progress to date of each scheme in the current financial year has been identified in the Quarterly Budget Monitoring report considered elsewhere on the agenda (RD50/12). That report also highlighted an underspend against the annual budget, slippage of £3,000,000 and a reduction in the programme of £2,080,300 have been identified. These reductions relate to vehicle replacements and the environmental enhancements project.
- 3.6 The revised programme for 2012/13 (£8,105,200) does not include the revised project for the Old Town Hall presented to Council on 13th November 2012 requesting a virement of £109,400. Once approved this will be incorporated into future reports to the Executive.
- 3.7 It is anticipated that there will be a significant shortfall on anticipated capital receipts generated during 2012/13, during 2011/12, estimated at a net figure of £15,806,600 below the current projections.

Source	Original £	Revised £	Difference £
PRTB Agreement	(150,000)	(235,000)	(85,000)
Lovells Sales	(180,000)	(10,000)	170,000
Asset Sales - General	(500,000)	(250,000)	250,000
Asset Sales - Asset Review (Reprofiling)	(19,339,600)	(3,868,000)	15,471,600
Anticipated Capital Receipts 2011/12	(20,169,600)	(4,363,000)	15,806,600

4. NEW CAPITAL SPENDING PROPOSALS 2013/14 TO 2017/18

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

Capital Scheme	App/ Para	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Current Commitments:						
Disabled Facilities Grants		863	863	863	863	663
Planned Enhancements to Council Property		300	300	300	300	300
Vehicles & Plant	4.3	259	279	1,901	200	200
Asset Management Plan	4.4	4,773	1,038	4,046	0	0
ICT Shared Service		193	0	0	0	0
Public Realm Work S106		330	0	0	0	0
Clean Up Carlisle		12	0	0	0	0
Total Existing Commitments		6,730	2,480	7,110	1,363	1,163
New Spending Proposals						
Methodist Arts Centre	4.5	250	161	175	0	0
Public Realm Work	4.6	100	0	0	0	0
Harraby School and Community Campus Capital Contribution	4.7	600	500	500	0	0
Old Town Hall/Greenmarket	4.8	0	1,500	0	0	0
Leisure Facilities	4.9	0	0	5,000	0	0
Total New Proposals		950	2,161	5,675	0	0
TOTAL POTENTIAL PROGRAMME		7,680	4,641	12,785	1,363	1,163

4.2 Many of the new spending proposals have not yet been considered by the Project Assurance Group. Therefore should they be approved for inclusion in the Council's Capital Programme as part of this budget process, the release of any budget would be subject to verification of the business case by the Project Assurance Group 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 Project Assurance Group before the release of any budget.

4.3 The anticipated additional 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 Asset Management Plan expenditure has been revised to reflect an updated investment plan in revenue generating assets.

- 4.5 A 3 year programme of works to develop a sustainable Arts Centre in the Methodist Hall. If this scheme is approved there may be a requirement to utilise some of this funding in 2012/13.
- 4.6 A series of Public Realm improvement works around the City Centre, Botchergate and Rickergate areas
- 4.7 The Harraby School and Community Project is a capital new build scheme designed to deliver a three form entry primary school, community centre, library, theatre and other sports facilities on the former North Cumbria Technology College site.
- 4.8 This project seeks to improve the facilities, appearance and services of the buildings in this small part of the city. The project also seeks to include other iconic properties such as the Crown and Mitre.
- 4.9 Sports and leisure facilities will be significantly improved through a capital scheme which will address the need of appropriate wet and dry facilities servicing the whole of the district. It will be informed by a sports facility strategy which is currently in production.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2013/14 to 2017/18 based on the announcements by Government in the spending review.

Source of Funding	Para	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Capital Grants:						
• Disabled Facilities Grant	5.3	(663)	(663)	(663)	(663)	(663)
• General Grants/Contributions	5.4	(330)	0	0	0	0
Internal Borrowing	5.5	(271)	(334)	(1,956)	(290)	0
External Borrowing	5.5	0	0	(5,000)	0	0
Capital Receipts:						
• Generated in year – General	5.6	(660)	(260)	(260)	(260)	(260)
• Generated in year – Asset Business Plan	5.7	(20,148)	(3,265)	(1,340)	0	0
• Generated in year – PRTB	5.8	(150)	(150)	(150)	(150)	(150)
Direct Revenue Financing / Invest to Save	5.9	(84)	(35)	(35)	0	0
TOTAL		(22,306)	(4,707)	(9,404)	(1,363)	(1,073)

- 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 (RD47/12).

The Council in the current financial climate is not considering any prudential borrowing however this will be kept under review. It is likely that, subject to the outcome of service reviews, borrowing may be required to fund the vehicle and plant replacements in future years or other alternative sources of funding identified.

- 5.3 Disabled facilities grant allocation will not be announced until January 2013, although it has been indicated that this grant will be protected at the 2012/13 levels. A further report will be presented to the Executive once the 2013/14 allocation has been received.
- 5.4 Section 106 contributions towards Public Realm Work.
- 5.5 Internal and external borrowing to fund vehicle replacements and 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 have been revised downwards based on updated projections from Property Services. The receipt from the Families Accommodation (£250,000) has been moved from 2012/13 into 2013/14. A revised valuation of the property is required to ascertain whether this figure can be realised.
- 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 and Clean Up Carlisle.

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2013/14 TO 2017/18

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

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Estimated in year Resources available (para 5.1)	(22,306)	(4,707)	(9,404)	(1,363)	(1,073)
Proposed Programme (para 4.1)	7,680	4,641	12,785	1,363	1,163
Projected (Surplus)/Deficit	(14,626)	(66)	3,381	0	90
Cumulative B/Fwd Balance	(4,401)	(19,027)	(19,093)	(15,712)	(15,712)
Cumulative year end Position					
• Capital (Surplus) / Deficit	(19,027)	(19,093)	(15,712)	(15,712)	(15,622)
Capital Receipts Set Aside	15,000	15,000	15,000	15,000	15,000
Net Year end Position	(4,027)	(4,093)	(712)	(712)	(622)

7. CONSULTATION

7.1 The Resources, Environment and Economy and Community Overview and Scrutiny Panels will consider the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals will be made to the Executive on 13 December prior to the Executive issuing their draft budget proposals for wider consultation on 18 December.

8. RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2012/13 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £3,000,000 and savings of £2,080,300 from 2012/13 identified in the review;
- (iii) Make recommendations to Council to approve virements from underspends from Kingstown Industrial Estate (£150,100) and Families Accommodation Replacement (£100,000) to fund additional expenditure at the Resource Centre;
- (iv) Give initial consideration and views on the capital spending requests for 2013/14 to 2017/18 contained in this report in the light of the estimated available resources;

- (v) 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. IMPLICATIONS

- Staffing/Resources – as detailed on the individual appraisal forms
- Financial – included within the report
- Legal – none
- Corporate – SMT and SPG have considered the new spending proposals contained within this report.
- Risk Management – as detailed on the individual appraisal forms
- Equality Issues – none
- Environmental – as detailed on the individual appraisal forms
- Crime and Disorder – as detailed on the individual appraisal forms

10. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Assessment	Impact Yes/No?	Is the impact positive or negative?
Equality Impact Screening Does the policy/service impact on the following?		
Age	Yes	Positive
Disability	Yes	Positive and negative
Race	Yes	Positive
Gender/ Transgender	No	
Sexual Orientation	No	
Religion or belief	No	
Human Rights	No	
Social exclusion	Yes	Positive
Health inequalities	Yes	Positive
Rurality	Yes	Positive

If you consider there is either no impact or no negative impact, please give reasons:

Future year budgets for Disabled Facilities Grant is protected at 2012/13 levels. Further impact assessment work will take place once allocation is announced.

Capital Programme includes a range of positive projects that will directly benefit the people of Carlisle.

If an equality Impact is necessary, please contact the P&P team.

PETER MASON

Director of Resources

Contact Officer: Peter Mason

Ext: 7270

Scheme	2012/13 Original July 2012 £	2012/13 Revised Nov 2012 £	Notes
Customer Contact Centre	10,000	10,000	
Resource Centre	11,000	261,100	4
Environmental Enhancements	37,900	37,900	
Document Image Processing	22,000	22,000	
Planned Enhancements to Council Property	403,000	403,000	
Kingstown Industrial Estate	468,000	317,900	4
Play Area Developments	66,900	66,900	
Vehicles, Plant & Equipment	1,333,000	1,040,400	2 / 3
IT Equipment	99,000	99,000	
ICT Shared Service	232,800	232,800	
Families Accommodation Replacement	1,716,900	1,616,900	4
Old Town Hall - Strategic TIC	588,700	580,000	2
Disabled Facilities Grants	863,000	863,000	
Trinity Church MUGA	7,700	7,700	
Connect 2 Cycleway	15,000	15,000	
Historic Quarter	70,000	70,000	
Regeneration Projects	35,600	35,600	
ODPM Private Sector Renewal	4,500	4,500	
Mechanical Sweepers	100,000	100,000	
Economic Development Environmental Enhancements	1,778,800	0	3
Asset Review Purchases	4,709,500	1,709,500	1
Crematorium Extension	60,000	60,000	
Talkin Tarn	95,000	95,000	
Castleway Cycle Ramp	0	370,000	1
Public Realm Work S106	0	40,000	1
Clean Up Carlisle	0	47,000	1
TOTAL	12,728,300	8,105,200	

Notes:

1. Budget reprofiled to future years.
2. Savings / Projects to be removed from capital programme.
3. Other variations relate to virements between schemes or additional/reduced contributions as set out in previous Executive reports.
4. Adjustments proposed to fund additional expenditure on Resource Centre.

REVISED CAPITAL PROGRAMME 2012/13 – PROPOSED FINANCING

Source of funding	2012/13 Original £	2012/13 Revised £	Notes
Capital Grants:			
• DFG	663,000	663,000	
• Old Town Hall	255,000	255,000	
Capital Receipts:			
• B/fwd from previous year	6,198,850	6,198,850	
• PRTB receipts	150,000	235,000	1
• Generated in year	680,000	260,000	2
• Generated in year (Asset Review)	19,339,600	3,868,000	3
Capital Contributions			
• General	45,000	455,000	4
• Slippage from 2011/12	14,800	14,800	
Use of Reserves/Internal Borrowing	1,878,200	0	5
Direct Revenue Financing	379,500	556,700	6
TOTAL FINANCE AVAILABLE	29,603,950	12,506,350	
TOTAL PROGRAMME (SEE APP A)	12,728,300	8,105,200	
PROJECTED SURPLUS CAPITAL RESOURCES AVAILABLE	16,875,650	4,401,150	

Notes:

1. The revised projection from Riverside Group for 2012/13 is for 12 sales realising a receipt of £236,000.
2. Receipts from the Lovells Agreement have been reduced in line with revised expectations and the receipt from the Families Accommodation (£250,000) has been reprofiled in 2013/14.
3. The anticipated receipts from the Asset Management Plan have been reprofiled into future years in line with revised projections.
4. Changes to general receipts relate to Castle Way Cycle Ramp S106 (£370,000) and Public Realm Works S106 (£40,000).
5. Resources have been removed due to deletion/reduction of schemes from capital programme.
6. Changes to Direct Revenue Financing relate to Clean Up Carlisle (£47,000), Vehicle Replacements (£8,900), Insurance Claim (£130,000) and Old Town Hall (-£8,700).