



# REPORT TO EXECUTIVE

## PORTFOLIO AREA: GOVERNANCE & RESOURCES

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Date of Meeting: 16 January 2012

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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 2012/13 TO 2016/17  
**Report of:** ASSISTANT DIRECTOR (RESOURCES)  
**Report reference:** RD79/11

### Summary:

The report provides an update to RD71/11, which was considered by the Executive on 19 November and has been updated to reflect the Executive's budget proposals together with any other known changes.

The report summarises the implications of this review on the proposed programme for 2011/12 to 2015/16 in light of the capital bids submitted to date for consideration. It summarises the estimated and much reduced capital resources available to fund the programme.

### Recommendations:

The Executive is asked to:

- (i) Make recommendations to Council on the Provisional Capital Programme for 2012/13 to 2016/17 in the light of the capital bids submitted to date together with the estimated available capital resources, and to approve carry forward of £4,067,000 from 2011/12 into 2012/13;
- (ii) Recommend 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 by the Executive, following detailed consideration by the Project Assurance Group.

**Contact Officer:** Peter Mason

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## CITY OF CARLISLE

To: The Executive  
16 January 2012

RD79/11

### PROVISIONAL CAPITAL PROGRAMME 2011/12 TO 2016/17

#### **1. INTRODUCTION**

- 1.1 This report provides an update to RD71/11 which was considered by the Executive on 19 December and summarises the revised capital programme for 2011/12 and proposed capital programme for 2012/13 to 2016/17, together with the proposed methods of financing.
- 1.3 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 Assistant Director (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 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 2011/12

- 3.1 The capital programme for 2011/12 totalling £10,628,300 was approved by Council on 19 July 2011 as detailed in the 2010/11 out-turn report (RD11/11).
- 3.2 The revised capital programme for 2011/12 now totals £6,817,700 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 2011/12, estimated at a net figure of £1,573,000 below the current MTFP projections.

Source	Original £	Revised £	Difference £
PRTB Agreement	(300,000)	(150,000)	150,000
Lovells Sales	(160,000)	(10,000)	150,000
Asset Sales - General	(250,000)	(400,000)	(150,000)
Asset Sales - Asset Review (Reprofiling)	(3,920,000)	(2,497,000)	1,423,000
<b>Anticipated Capital Receipts 2011/12</b>	<b>(4,630,000)</b>	<b>(3,057,000)</b>	<b>1,573,000</b>

- 3.5 A summary of the revised programme for 2011/12 is shown below:

Summary Programme	£	Appx
<b>2011/12 Original Capital Programme</b>	10,628,300	<b>A</b>
Reprofiling (result of review of programme)	(4,067,000)	
Other adjustments	256,400	
<b>Revised Capital Programme (Sept 2011)</b>	<b>6,817,700</b>	<b>A</b>
Estimated Capital Resources available	(11,555,536)	<b>B</b>
<b>Projected (Surplus) capital resources</b>	<b>(4,737,836)</b>	

Other adjustments relate to additional contributions/grants received for Disabled Facilities Grants (£300,000), Trinity Church Multi Use Games Area (£2,800) and

Play Area Developments (£99,600) and a reduction in budget to reflect revised funding agreements for Roman Frontier (£146,000).

#### 4. NEW CAPITALSPENDING PROPOSALS 2012/13 TO 2016/17

- 4.1 During previous budget cycles it was agreed to keep new capital schemes to a minimum to allow capacity resources to be directed to complete existing schemes. It also assisted the revenue position due to increased investment income. This policy has continued into the 2012/13 budget cycle including restricting bids to 'invest to save' schemes or schemes funded from additional external sources (over and above the funding streams currently identified in the MTFP/Capital Strategy).
- 4.2 The existing and new capital spending proposals are summarised in the following table. This includes the proposed slippage on the 2011/12 capital programme.

Capital Scheme	App/ Para	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b><u>Current Commitments:</u></b>						
Disabled Facilities Grants	4.4	663	663	663	663	663
Planned Enhancements to Council Property	4.5	300	300	300	300	300
Vehicles & Plant	4.6	200	200	200	200	200
ICT Shared Service	4.7	189	193	0	0	0
Families Accommodation Replacement		1,730	0	0	0	0
Old Town hall	4.8	484	0	0	0	0
Asset Management Plan		4,769	3,635	1,460	4,762	0
Ec Dev Environmental Enhancements		1,779	0	0	0	0
<b>Total Existing Commitments</b>		<b>10,114</b>	<b>4,991</b>	<b>2,623</b>	<b>5,925</b>	<b>1,163</b>
<b><u>New Spending Proposals</u></b>						
Disabled Facilities Grant	4.4	200	200	200	200	200
Vehicles & Plant	4.6	686	219	91	1,781	0
<b>Total New Proposals</b>		<b>886</b>	<b>419</b>	<b>291</b>	<b>1,981</b>	<b>200</b>
<b>TOTAL POTENTIAL PROGRAMME</b>		<b>11,000</b>	<b>5,410</b>	<b>2,914</b>	<b>7,906</b>	<b>1,363</b>

- 4.3 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.

- 4.4 The Private Sector Housing Investment budget is to cover Disabled Adaptations Grants, Renovation Grants and Minor Works Grants. It is anticipated that there will be additional funding available from Public Health initiatives however, additional Council funding of £200,000 per annum is required to meet anticipated demand.
- 4.5 A central allocation of £300,000 for planned capital enhancements to Council Property which will be allocated annually on a needs basis by the Executive.
- 4.6 The existing budgets for the replacement of the Council's vehicle fleet were removed from the programme in 2011/12 and replaced by a central allocation for vehicle replacements. The anticipated additional budgets for replacement of the Council's vehicle fleet are also included in the table above. Investigations into the current fleet has seen a significant amount of re-alignment of vehicle requirements to determine which vehicles are priority for replacement and this has resulted in the additional amounts shown in the table above being required. The replacement values in 2015/16 and future years may increase in respect of the new Sweeper fleet once the lifespan of the new vehicles is established.
- 4.7 The ICT Shared Services budget is in line with the Allerdale Shared Services Business Case. Both Council's are reviewing the capital requirements in light of the current capital constraints.
- 4.8 The total budget takes account of a revised external funding package to enhance facilities at the Old Town Hall to comply with the specification for a strategic Tourist Information Centre as defined by Cumbria Tourism. Failure to deliver this project by 31<sup>st</sup> March 2013 will result in the loss of external funding and result in additional pressure on the capital programme due to the need for the Council to solely fund a reduced package of urgent enhancements required to the Old Town Hall.

## **5. POTENTIAL CAPITAL RESOURCES AVAILABLE**

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2012/13 to 2016/17 based on the announcements by Government in the spending review.

Source of Funding	Para	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b>Capital Grants:</b>						
• Disabled Facilities Grant	5.3	(663)	(663)	(663)	(663)	(663)
• General Grants	5.4	(218)	0	0	0	0
Balances / Earmarked Reserves	5.5	(610)	0	0	0	0
Borrowing		(2,025)	(431)	(345)	(2,036)	(290)
<b>Capital Receipts:</b>						
• Generated in year – General	5.6	(680)	(460)	(260)	(260)	(260)
• Generated in year – Asset Business Plan	5.7	(17,991)	(2,557)	(3,432)	(2,340)	0
• Generated in year – PRTB	5.8	(150)	(150)	(150)	(150)	(150)
Direct Revenue Financing / Invest to Save	5.9	(265)	(72)	(35)	(35)	0
<b>TOTAL</b>		<b>(22,602)</b>	<b>(4,333)</b>	<b>(4,885)</b>	<b>(5,484)</b>	<b>(1,363)</b>

- 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 (RD80/11).

The Council's attitude to borrowing will be dependent upon the outcome of service reviews which will incorporate the review of vehicle and plant replacements. Borrowing may be required to fund the vehicle and plant replacements in 2015/16 onwards or other alternative sources of funding identified.

- 5.3 Disabled facilities grant allocation will not be announced until January 2012, although it has been indicated that this grant will be protected at the 2011/12 levels. A further report will be presented to the Executive once the 2012/13 allocation has been received.
- 5.4 Grant awarded in 2012/13 is in relation to the Old Town Hall.
- 5.5 Funding from the Asset Investment Reserve to support the Asset Review and internal borrowing to fund Environmental Enhancement work.

- 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. This also includes an anticipated reduced receipt from the sale of the London Road accommodation.
- 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.
- 5.9 Direct revenue financing in relation to invest to save schemes and Old Town Hall.

## 6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2012/13 TO 2016/17

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

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Estimated Resources 31 March 2012	(4,928)				
Estimated in year Resources available (para 5.1)	(22,602)	(4,333)	(4,885)	(5,484)	(1,363)
Proposed Programme (para 4.2)	11,000	5,410	2,914	7,906	1,363
<b>Projected (Surplus)/Deficit</b>	<b>(16,530)</b>	<b>(15,453)</b>	<b>(17,424)</b>	<b>(15,002)</b>	<b>(15,002)</b>
Proposed Set aside capital receipts	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
Net Year End Position	<b>(1,530)</b>	<b>(453)</b>	<b>(2,424)</b>	<b>(2)</b>	<b>(2)</b>

## 7. CONSULTATION

- 7.1 As part of the budget consultation process the draft capital budget has been considered by the Resources Overview and Scrutiny Panel, Trade Unions, Large Employers Affinity Group and Non-Domestic Ratepayers. The Executive will consider feedback elsewhere on the agenda.
- 7.2 The financial implications arising from this report will form part of the Executive's budget proposals which will be considered by full council on 7 February 2012

## 8. RECOMMENDATIONS

The Executive is asked to:

- (i) Make recommendations to Council on the Provisional Capital Programme for 2012/13 to 2016/17 in the light of the capital bids submitted to date together with the estimated available capital resources, and to approve carry forward of £4,067,000 from 2011/12 into 2012/13;
- (ii) Recommend 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 by the Executive, following detailed consideration by the Project Assurance Group.

## 9. IMPLICATIONS

- Staffing/Resources – as detailed on the individual appraisal forms
- Financial – included within the report
- Legal – none
- Corporate – SMT and JMT 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?
<b>Equality Impact Screening</b> Does the policy/service impact on the following?		
Age	<b>Yes</b>	Positive
Disability	<b>Yes</b>	Positive and negative
Race	<b>Yes</b>	Positive
Gender/ Transgender	<b>No</b>	
Sexual Orientation	<b>No</b>	
Religion or belief	<b>No</b>	
Human Rights	<b>No</b>	
Social exclusion	<b>Yes</b>	Positive
Health inequalities	<b>Yes</b>	Positive
Rurality	<b>Yes</b>	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 2011/12 levels. Further impact assessment work will take place once allocation is announced.

Capital Programme includes a range of positive projects that will directly benefit protected characteristics.

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

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**REVISED CAPITAL PROGRAMME 2011/12**
**APPENDIX A**

<b>Scheme</b>	<b>2011/12 Original July 2011 £</b>	<b>2011/12 Revised Nov 2011 £</b>	<b>Notes</b>
Customer Contact Centre	90,000	90,000	
Chances Park	22,100	22,100	
Resource Centre	1,563,300	1,563,300	
Environmental Enhancements	65,000	65,000	
RBS Shared Service	32,900	32,900	
Document Image Processing	45,000	45,000	
Housing Strategy	93,200	93,200	
Planned Enhancements to Council Property	507,500	507,500	
Willowholme Industrial Estate	139,000	165,100	2
Kingstown Industrial Estate	499,100	473,000	2
Play Area Developments	156,100	255,700	2
Vehicles, Plant & Equipment	583,600	583,600	
IT Equipment	99,000	99,000	
ICT Shared Service	202,000	202,000	
Waste Minimisation	12,100	12,100	
Families Accommodation Replacement	905,700	70,000	1
Old Town Hall - Strategic TIC	66,700	66,700	
Roman Frontier	440,600	294,600	2
Disabled Facilities Grants	663,000	963,000	2
Trinity Church MUGA	127,800	130,600	2
Connect 2 Cycleway	15,000	15,000	
Historic Quarter	130,000	130,000	
Regeneration Improvements	6,700	6,700	
ODPM Private Sector Renewal	9,300	9,300	
Sheepmount Development	6,000	6,000	
City Play Trail	74,400	74,400	
Network Print Solutions	75,000	75,000	
Mechanical Sweepers	100,000	100,000	
Bousteads Grassing Demolition	166,500	166,500	
Economic Development Environmental Enhancements	1,889,200	110,400	1
Asset Review Purchases	1,842,500	390,000	3
<b>TOTAL</b>	<b>10,628,300</b>	<b>6,817,700</b>	

**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. Anticipated asset purchases in line with Asset Business Plan including the installation of Photovoltaic panels to Civic Centre

**REVISED CAPITAL PROGRAMME 2011/12 – PROPOSED FINANCING**

Source of funding	2011/12 Original £	2011/12 Revised £	Notes
<b>Capital Grants:</b>			
• DFG	663,000	663,000	
• Roman Frontier	440,600	251,900	1
• Chances Park	22,100	22,100	
• Old Town Hall	37,500	37,500	
• General	32,900	49,800	2
• Slippage from 2010/11	269,700	269,700	3
<b>Capital Receipts:</b>			
• B/fwd from previous year	5,168,936	5,168,936	
• PRTB receipts	300,000	150,000	4
• Generated in year	410,000	410,000	5
• Generated in year (Asset Review)	3,920,000	2,697,000	6
<b>Capital Contributions</b>			
• General	54,800	437,500	7
• Slippage from 2010/11	185,700	185,700	3
Use of Reserves/Internal Borrowing	3,582,000	1,193,200	8
Direct Revenue Financing	163,700	209,200	9
<b>TOTAL FINANCE AVAILABLE</b>	<b>15,250,936</b>	<b>11,745,536</b>	
<b>TOTAL PROGRAMME (SEE APP A)</b>	<b>10,628,300</b>	<b>6,817,700</b>	
<b>PROJECTED SURPLUS CAPITAL RESOURCES AVAILABLE</b>	<b>4,622,636</b>	<b>4,927,836</b>	

**Notes:**

1. Capital grant has been reduced to match the updated funding agreements.
2. Changes to general grants relate to Play Area Developments (£16,900).
3. These relate to grants and contributions received in 2010/11 for which the scheme was uncompleted and which are required in 2011/12 and were carried forward as capital grants receipts in advance at the year end.
4. There is anticipated to be a shortfall in PRTB receipts for the year due to the reduced number of anticipated sales in the year. The revised projection for 2011/12 is that few sales will occur realising a receipt of £150,000.
5. The anticipated receipts from the Lovells agreement (£160,000) and general capital receipts (£250,000) have been revised based on updated projections to £10,000 and £400,000 respectively.
6. The anticipated receipts from the Asset Management Plan have been reprofiled into 2012/13 in line with revised projections.
7. Changes to general receipts relate to Play Area Developments (£82,700) and Disabled Facilities Grants (£300,000).
8. Resources have been reprofiled into future years to match expenditure.
9. Changes to Direct Revenue Financing relate to Roman Frontier (£42,700) and Trinity Church Multi Use Games Area (£2,800).