

Committee:	Executive	Agenda Item No.:	17
Date:	26 th January 2009	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	Proposed Capital Programme 2009/10 to 2011/12		
Report by:	Director of Resources		
Other Officers Involved			
Director	Director of Resources		
Relevant Portfolio Holder	Corporate Efficiency		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

None.

VALUE FOR MONEY

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

THE REPORT

This report outlines the capital expenditure and financing proposals and recommends a Capital Programme for 2009/10 to 2011/12.

ISSUES/OPTIONS FOR CONSIDERATION

Estimated Outturn 2008/09

The latest estimated Capital Programme spend during 2008/09 is £13,466,301. This is £1,961,994 higher than the original budget with £1.7m of this relating to slippage from 2007/08 and £2.3m having already been moved into future years due to delays in starting and completing schemes. A summary of the other key variations are shown below:-

Scheme	Variance £	Comment
Clune Street Recreation Ground	100,000	Sale of land provided funds to move the existing ground
Playground Upgrade Programme	68,272	Extra S106 funding received
Northern Housing Market Needs Survey	84,315	New external funding received
MRA programme – various expenditure codes	173,246	External funding received from British Gas and Powergen
Private Sector Decent Homes	200,000	New Regional Housing Board (RHB) funding received
New Houghton Renewal Area	500,000	New RHB funding received
General Fund Housing Renewal Programme	900,000	Allocation of funding saved for ongoing projects
Disabled Facility Grants	274,000	New external funding received
Infrastructure Virtualisation	79,000	Funding from the ICT reserve
Document Management - Housing	47,000	Funding from the ICT reserve

The profiling of capital expenditure can be very difficult to predict. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding.

Where capital expenditure slipped into 2008/09, the equivalent amount of funding was not applied during 2007/08 and is therefore available in 2008/09 to meet the delayed payments.

Capital Programme 2009/10 – 2011/12

The Council has previously approved a number of Capital Schemes for 2009/10 and 2010/11 when considering its 3 year Capital Programme. These total £4,487,165 (2009/10) and £3,549,395 (2010/11). It has been necessary to reduce the Housing Revenue Account contribution to the capital programme by £50,000 to ensure the Housing Revenue Account balances. An analysis of these schemes and associated funding are attached as Appendix A to this report.

A total of 12 Capital Budget Bids were received and after scoring, using a similar prioritisation process to that of previous years, the results will be reviewed by Senior Management Team. This scoring includes an assessment of:

- Contributions towards the Council's Corporate Aims
- Statutory obligations
- Financial implications (including an assessment of any external funding)
- Value for Money (including any associated efficiency gains)
- Risk assessment

Future capital expenditure can be funded from a variety of sources. These are detailed below:

- Prudential borrowing – this places pressure on the revenue budgets to fund the debt in the long term and has to fit within the prudential indicators.
- Revenue contributions – there needs to be uncommitted funds available in the revenue budgets to commit to this.
- Capital receipts from asset sales – few are being generated currently and may be required to address any revenue pressure when accounting for impairment on failed treasury investments.
- External funding from grants and contributions.

The following are brief descriptions of bids received, the score and comments:

Bids for One Off Spend

Bid Ref	Brief Description	Value in 2009/10	Score	Comments
C1	LA Contribution to the Delivery of Affordable Housing	£1,500,000	2nd	Limits our future options to build. Not to be funded in the short term
C2	Master planning for Bolsover Town/Other areas	£70,000	8th	To be considered once other master plans developed.
C3	Events Equipment Renewal Fund	£10,000	Not scored	Executive report may impact
C6	Frederick Gent School – Community Health and Fitness	£40,000	7th	On hold pending details re Building Schools for the future.

Bid Ref	Brief Description	Value in 2009/10	Score	Comments
C7	Flood Resilience Grant	£75,000	9th	Requires numbers affected and frequency for full consideration.

Bids requiring recurring spend:

Bid Ref	Brief Description	Value in 2009/10	Score	Comments
C4	Green Space Strategy + Green Flag Park Development Programme Years 2+3	£62,000	1 st	Option for existing external funding to cover project management costs to be considered.
C5	Neighbourhood Sports Fund – “Better Facilities” Grant Scheme Years 2+3	£40,000	6th	If 2 year programme spread to 4 years annual cost £20,000.
C8	Decent Homes grants including Home Repair Assistance and Top Up Grants	£350,000	3rd	Must use EMRA money to fully finance
C9	Mandatory Disabled Facilities Grants	£600,000	Statutory	Fund to level of Gov't funding £250k requires £150k of Capital receipts to generate a total of £400k
C10	Empty Property Grants	£150,000	6th	Must use EMRA money to fully finance
C11	Group Repair Schemes in Renewal Areas	£600,000	4th	Potential for part EMRA funding in year 1. Made up of 3 Phases each of £200k. Fund 1 per year.
C12	Group Repair Scheme in New Houghton	£550,000	Not scored	2010/11 bid

Overall

Bids to be funded as funds become available. Any bid dependant on funding to commence once funding has been confirmed. The bids that require funding will be done in the following order.

- 1 Mandatory Disabled Facilities Grants
Decent Homes grants including Home Repair Assistance and Top Up Grants – with external funding only
Empty Property Grants – with external funding only

- 2 Green Space Strategy + Green Flag Park Development – only if external funding does not cover project management or makes impact on schemes disproportionate. To be reported to a future Executive.

If capital receipts are not required to address any impairment then further bids to be funded are:

- 3 Group Repair Schemes in Renewal Areas – part fund from balance on EMRA funding for 1 of 3 phases
- 4 Neighbourhood Sports Fund – “Better Facilities” Grant Scheme – based on a 4 year scheme

A bid has been submitted to the Regional Housing Board based around *Decent Homes for Vulnerable Households in the Private Sector*. If this bid is successful, and a cash grant is awarded, this could release some resources for other projects. The outcome of this bid is expected during the Spring of 2009.

The Major Repairs Allowance has been confirmed at £3,144,697 for 2009/10 and estimated at £3,194,373 and £3,244,788 for 2010/11 and 2011/12 respectively. This allowance represents the estimated long-term average amount of capital spending required to maintain a local authority’s housing stock in its current condition.

The Housing Stock Management Group will now identify the schemes that will be delivered that meet the requirements of the Major Repairs Allowance. This group will then bring a further report regarding the proposed Housing Schemes to be financed by the Major Repairs Allowance.

Efficiency Gains

As previously stated in the General Fund report, the Council needs to identify cashable efficiency savings of 3% per annum against a new 2007/08 baseline. Included within the baseline figure is recognition of spend on Capital Schemes (circa £10 million). It is therefore logical that the Council must continue to identify efficiencies through its Capital Programme. This will include smarter procurement of capital items, e.g. lower unit costs or negotiated discounts on capital contracts.

The Council will need to give careful consideration as to how any savings arising from individual capital contracts are dealt with.

Prudential Indicators

In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council is required to determine and monitor a number of Prudential Indicators:-

1. Estimates of the ratio of financing costs to net revenue stream:

	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate
Non – HRA	4.93%	4.65%	4.93%
HRA	17.38%	17.31%	17.46%

This compares the levels of interest payable to the budget funded by Formula Grant and Council Tax. The estimates reflect current commitments.

2. Estimates of the end of year Capital Financing Requirement

	31/03/09 Estimate £'000	31/03/10 Estimate £'000	31/03/11 Estimate £'000	31/03/12 Estimate £'000
Non – HRA	9,239	11,187	12,410	12,907
HRA	6,387	6,738	6,573	6,368

This reflects the Council's underlying need to use external borrowing to finance its capital expenditure. In terms of best practice, the Council should ensure that the net level of external borrowing does not exceed the sum of the table above.

3. Operational boundary for external debt

	2009/10 Estimate £'000	2010/11 Estimate £'000	2011/12 Estimate £'000
Borrowing	28,100	28,100	28,100

This reflects the best estimate (but not necessarily the worst case scenario) of the external debt levels for the period covered by the existing Capital Programme.

4. Authorised limit for external debt

	2009/10 Estimate £'000	2010/11 Estimate £'000	2011/12 Estimate £'000
Borrowing	29,100	29,100	29,100

This is based on the same principles as the Operational Boundary, but it also includes additional headroom to allow for any unusual cash movements.

IMPLICATIONS

Financial: The proposed Capital Programme 2008/09 to 2010/11 can be met from available funding streams as identified in the report.

Legal: None

Human Resources: None

RECOMMENDATION(S)

1. That the proposed Capital Programme for 2009/10 to 2011/12 be agreed and recommended to Council.
2. That any surplus Capital Receipts (above the level required for current commitments) be diverted to the projects in priority order as detailed in the report.
3. That a further report be received regarding the proposed Housing Schemes to be financed by the Major Repairs Allowance (MRA).
4. That any savings arising from Capital Contracts and Projects are earmarked for future projects.

REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSITUION

It is prudent for the Council to at least annually assess the resourcing and commitments within the Capital Programme.

The CIPFA code required the Council to consider and approve annually the Prudential Indicators.

ATTACHMENTS: Y
FILE REFERENCE: None
SOURCE DOCUMENT: Background papers held in Financial Services

Previously Approved Capital Programme

APPENDIX A

Code	Details of expenditure	2009/10 £	2010/11 £
Environment			
Various	Plant & Equipment	13,000	9,000
Various	Vehicle Replacements (Leases)	352,000	1,263,000
Regeneration			
C005	Joint Service Centre	0	1,000,000
C024	New Terrace Pleasley	50,000	0
C032	Byron Street Shirebrook	34,691	0
C035	New Houghton Renewal Area	500,000	500,000
C038	Station Road Shirebrook	300,000	0
C119	Decent Homes Standard	275,000	300,000
C148	Asset Management Plan	846,850	0
C169	Street Services Depot	1,242,950	127,395
Code	Details of expenditure	2009/10 £	2010/11 £
Social Inclusion			
C020	Disabled Facility Grants (Mandatory)	505,000	0
C092	Disabled Adaptations	150,000	150,000
C120	Improvements – Tenants Aspirations	175,000	200,000
C184	Choice Based Lettings	42,674	0
TOTAL		4,487,165	3,549,395

Details of financing	2009/10 £	2010/11 £
Contributions from Reserves	13,000	9,000
Contributions from Revenue	600,000	650,000
General Fund Capital Receipts	2,851,800	1,627,395
Grants and Contributions	347,674	0
HRA Capital Receipts	322,691	0
Operating Leases	352,000	1,263,000
Single Capital Pot – Borrowing	0	0
TOTAL	4,487,165	3,549,395