

Committee:	Executive	Agenda Item No.:	9.
Date:	7 <sup>th</sup> February 2011	Status	Open
Subject:	Capital Programme 2011/12 to 2013/14		
Report by:	Director of Resources		
Other Officers Involved	Chief Accountant		
Director	Director of Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

### **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**

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of the efficiency gain targets.

### **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**

1. This report outlines the capital expenditure and financing proposals and recommends a Capital Programme for 2011/12 to 2013/14.
2. The Capital Programme was initially considered at the December meeting of the Executive; the proposed capital programme was then considered at the 3 Scrutiny Committees during January. Any comments from the Scrutiny Committee meetings in late January will be detailed to the Executive.

## **ISSUES/OPTIONS FOR CONSIDERATION**

### **Estimated Outturn 2010/11**

3. The latest estimated Capital Programme spend during 2010/11 is £11,763,864. This is £5,035,133 higher than the original budget with £2,664,538 of this relating to slippage from 2009/10. A summary of the other key variations are shown below:

<b>Scheme</b>	<b>Variance £</b>	<b>Comment</b>
Shirebrook Enterprise Centre	428,799	New external funding received
Bolsover Improving Play Pitches Initiative	106,389	New external funding received
Playful Spaces	80,000	New external funding received
Private Sector Renewal Areas	449,000	New external funding received
21 Mobile Working Vehicles	302,000	Financed by operating lease
Asset Management Plan	400,000	Further capital receipts became available
Disabled Facility Grants	509,000	Further capital receipts became available and new external funding received

4. 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.
5. Where capital expenditure slipped into 2010/11, the equivalent amount of funding was not applied during 2009/10 and is therefore available in 2010/11 to meet the delayed payments.

### **Capital Programme 2011/12 – 2013/14**

6. The Council has previously approved a number of Capital Schemes for 2011/12 and 2012/13 when considering its 3 year Capital Programme. These total £799,000 (2011/12) and £650,000 (2012/13). An analysis of these schemes and associated funding are attached as Appendix A to this report.

7. A total of 3 Capital Budget Bids were received and scored, using a similar prioritisation process to that of previous years, the results were 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
8. 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.
  - External funding from grants and contributions.
9. The following are brief descriptions of bids received, the score and comments.

Bids for One-Off Spend:

<b>Bid Ref</b>	<b>Brief Description</b>	<b>Value in 2011/12</b>	<b>Score</b>	<b>Comments</b>
C1	Solar PV Riverside Depot	£225,479	3rd	To be funded if financing allows

Bids requiring recurring spend:

<b>Bid Ref</b>	<b>Brief Description</b>	<b>Value in 2010/11</b>	<b>Score</b>	<b>Comments</b>
C2	Asset Management Plan	£533,985	1st	Sale of any major assets will reduce required spend.
C3	Mandatory Disabled Facilities Grants	£226,000	2nd	To be funded if financing allows

## Overall

10. 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 Asset Management Plan
  - 2 Mandatory Disabled Facilities Grants – this is our element only. External funding is anticipated to be at least equal to the 2009/10 level received.
  - 3 Solar PV Riverside Depot
11. Capital receipts in the current year have not been sufficient to fund the capital programme. Sales of assets have dramatically reduced and thus funding from capital receipts has been cut back. There are potential sales of assets but as some of these have been potential for a number of years no additional funding will be released until the capital receipt has been received.
12. The finalised Housing Subsidy determination has increased the Major Repairs Allowance above the values reported from the draft determination. The values now expected are £3,222,052 for 2011/12 and estimated at £3,252,456 and £3,381,924 for 2012/13 and 2013/14 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.
13. The Housing Stock Management Group will identify the schemes to 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.

## Prudential Indicators

14. 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:**

	<b>2011/12 Estimate</b>	<b>2012/13 Estimate</b>	<b>2013/14 Estimate</b>
Non – HRA	6.82%	6.01%	5.93%
HRA	22.68%	22.33%	22.51%

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

	<b>31/03/11 Estimate £'000</b>	<b>31/03/12 Estimate £'000</b>	<b>31/03/13 Estimate £'000</b>	<b>31/03/14 Estimate £'000</b>
Non – HRA	13,427	12,941	12,617	12,167
HRA	7,521	7,521	7,566	7,566

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

	<b>2011/12 Estimate £'000</b>	<b>2012/13 Estimate £'000</b>	<b>2013/14 Estimate £'000</b>
Borrowing	20,400	20,400	20,400

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

	<b>2011/12 Estimate £'000</b>	<b>2012/13 Estimate £'000</b>	<b>2013/14 Estimate £'000</b>
Borrowing	30,400	30,400	30,400

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 2010/11 to 2013/14 can be met from available funding streams as identified in the report. Capital bids to be funded as resources become available.

Legal: None

Human Resources: None

## **RECOMMENDATIONS**

- 1. That the estimated outturn for 2010/11 of £11,763,864 be recommended to Council.**
- 2. That the proposed Capital Programme for 2011/12 to 2013/14 be recommended to Council.**
- 3. That it be recommended to Council 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.**
- 4. That a further report be submitted to the Executive outlining the proposed Housing Schemes to be financed by the Major Repairs Allowance (MRA).**
- 5. That the Prudential Indicators be recommended to Council for adoption.**
- 6. That the Director of Resources has delegated authority, within the total limit for any individual year, to effect movements between the separately agreed limits for borrowing and other long term liabilities.**

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

Previously Approved Capital Programme

APPENDIX A

Code	Details of expenditure	2011/12 £	2012/13 £
<b>Environment</b>			
Various	Plant & Equipment	9,000	0
Various	Vehicle Replacements (Leases)	140,000	0
<b>Regeneration</b>			
C005	Joint Service Centre	0	0
C035	New Houghton Renewal Area	0	0
C169	Street Services Depot	0	0
<b>Social Inclusion</b>			
	Housing Revenue Account Contribution to Capital Programme	650,000	650,000
<b>TOTAL</b>		<b>799,000</b>	<b>650,000</b>

Details of financing	2011/12 £	2012/13 £
Contributions from Reserves	9,000	0
Contributions from Revenue	650,000	650,000
General Fund Capital Receipts	0	0
Operating Leases	140,000	0
<b>TOTAL</b>	<b>799,000</b>	<b>650,000</b>