

Appendices



Item No.

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	CAPITAL PROGRAMME 2009-10 TO 2011-12
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date: 19 February 2009

Key Decision: YES

Listed on Forward Plan: YES

Within Policy: YES

Policy Document: Capital Strategy

Directorate: Finance & Support

Accountable Cabinet Member: Malcolm Mildren

Ward(s) Not Applicable

1. Purpose

1.1 The purpose of the report is to:

- To present the Council's Capital Strategy for 2009-10 to 2011-12
- To present the proposed capital programme for 2009-10, and outline proposals for 2010-11 to 2011-12.
- To outline the capital programme funding proposals for 2009-10 and future years.
- To ask the Cabinet to recommend to Council that they approve the recommendations in paragraph 2 below.

2. Recommendations

- 2.1 That the Cabinet recommend to Council that they approve
- a) The Capital Strategy for 2009-10 to 2011-12, set out in Annex A.
 - b) The capital programme for 2009-10, including future year commitments, as set out in Annex B.
 - c) The capital financing principles to be applied in 2009-10, as set out at in the Capital Strategy (Annex A) at pages 30 to 31.
 - d) The proposed financing of the capital programme for 2009-10 and future years, as set out at paragraphs 3.2.10 and Annex C.
 - e) That Cabinet be authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes during 2009-10, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.
- 2.2 That Cabinet and Council note:
- a) The contribution of each new scheme in the 2009-10 capital programme to the Council's corporate priorities for 2009-2012, as set out in Annex D.
 - b) Outline bids for future years as set out at Annex E.

3. Issues and Choices

3.1 Report Background

The Financial Position

- 3.1.1 The Council is facing an extremely challenging financial situation in the short to medium term.
- 3.1.2 The funding for capital expenditure is closely linked both to revenue funding, in relation to borrowing costs, and to the difficult economic situation, for example in relation to its ability to generate capital receipts.
- 3.1.3 The national economic situation over the past 12 months has deteriorated significantly into a period of downturn and instability. This has had specific repercussions locally.
- 3.1.4 The impact on the housing market has had the effect of reducing income levels. Right to Buy sales have virtually ceased, and buyers are difficult to secure for other types of property, particularly at the right price. This has a direct and significant impact on the availability of capital receipts to fund capital expenditure.
- 3.1.5 In terms of borrowing, the new regulations on accounting for Minimum Revenue Provision (MRP) charges for the repayment of debt have had a very significant impact on the debt-financing budget, particularly in relation to short-lived assets. This is because new borrowing is now written down over the life of the assets, rather than 4% on the reducing balance as previously.

- 3.1.6 As a district authority a significant proportion of new capital investment relates to short-lived assets such as software, vehicles, plant, and equipment. The impact of the new rules therefore is to significantly increase the annual charge of borrowing to revenue.
- 3.1.7 Some grant funding has also been affected where grant-awarding bodies are being forced to cut back on funding provision.
- 3.1.8 The capital programme put forward for approval for 2009-10 is therefore considerably more constrained than in previous years.

Building the Capital Programme.

- 3.1.9 Project appraisals have been completed for all 2009-10 capital programme bids.
- 3.1.10 Each project appraisal demonstrates how the scheme will contribute to:
- The Council's corporate priorities.
 - Statutory duties and legal commitments
 - Partnership working
 - Performance indicators
 - Service strategies and plans
 - Equalities
 - Other corporate initiatives
 - National priorities and targets
 - Environmental impacts.
- 3.1.11 These factors are all taken into account in formulating a proposed capital programme that, within the resources available, will best target the Council's corporate priorities.
- 3.1.12 Officers maintain a file of all project appraisals and copies of individual appraisals are available on request.
- 3.1.13 Bids for future year starts have been put forward in outline only, and are listed in Annex E. These are included in the programme for planning purposes. Project appraisals will be completed for these bids during the year preceding the proposed start, and Council will decide which bids will be agreed for inclusion in the programme in the preceding February or March of each financial year. Bids that were not agreed as part of the draft programme for 2009-10 are included in the outline plans for future years.

3.2 Issues

The Capital Strategy

- 3.2.1 The proposed Capital Strategy for 2009-10 to 2011-12 is attached at Annex A. This updates the Capital Strategy for 2008-09 to 2010-11 approved by Council on 28 February 2008. The strategy includes an extract of the current corporate plan. This will be updated post approval of the revised plan for 2009-12 at this Cabinet meeting.

- 3.2.2 Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the development of the Council's services.
- 3.2.3 The Government expects each local authority to produce a capital strategy. The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans.
- 3.2.4 The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.
- 3.2.5 The strategy covers both the present position and future plans - the former setting the context for the latter. It also includes an action plan for future improvements. The capital strategy also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy.
- 3.2.6 The strategy includes, at pages 30 to 31, the Council's capital funding strategy for 2009-10.

Capital Programme

- 3.2.7 The proposed capital programme for 2009-10 to 2011-12 is attached at Annex B. The programme is split between General Fund (GF) and Housing Revenue Account (HRA) schemes, and is made up of:
- Continuation schemes from previous years
 - New bids for 2009-10 starts;
- 3.2.8 The value of the total proposed capital programme for 2009-10 is £16.263m, as set out in the following table.

Capital Programme 2009-10	£m	£m
General Fund		
Continuations from prior years	2.254	
New bids supported by project appraisals	1.580	
		3.834
Housing Revenue Account (HRA)		
Continuations from prior years	0.800	
New bids supported by project appraisals	11.629	
		12.429
Total		16.263

3.2.9 The table below outlines key details of the nature and purpose of the new bids for capital schemes starting in 2009-10.

Scheme Reference & Description	Scheme Narrative	2009-10 £k	Future Years £k	Funding Source
General Fund				
2009-10/GF 007 Carbon Management Programme	To undertake a range of energy saving projects at various locations to reduce the carbon emissions of the Council in line with the adopted policy. This sets an ambitious target of achieving carbon dioxide emission reductions of 35% by 2012 from an agreed baseline (2005/6).	64	-	Revenue contributions from savings generated from the carbon reduction programme
2009-10/GF 022 Disabled Facilities Grants (Private Sector)	Provision of mandatory grants to assist eligible applicants to adapt their own homes to meet bathing and access issues as outlined in the Councils Housing Strategy 2006-11.	422	500	Government grant (2009-10); capital receipts (2010-11)
2009-10/GF 023 Call Care, replacement lifelines due to BT21CN	Call Care provides community alarm monitoring for the elderly and vulnerable in both Sheltered Housing and through independent lifeline units. Replacement of 347 Lifeline units is required to ensure compliance following upgrade of the BT network.	64	-	Revenue contribution, from increased Lifeline rental charges and Sheltered Housing contributions
2009-10/GF 024 UPS Eleonore House	Supply and installation of an Uninterruptible Power Supply (UPS), air conditioning unit and separate ring main on the electricity supply at Eleonore House to cover emergency situations when it is not possible to operate Call Care from Exeter Place.	9	-	Revenue contribution from increase in charges
2009-10/GF 026 Government of East Midlands (GOEM Projects)	GOEM funded schemes to improve properties that do not meet the Decent Homes Standard and are occupied by vulnerable persons in receipt of qualifying benefits. The project will contribute towards the Government's Decent Homes target of 70% by 2010 as outlined in the Council's Housing Strategy 2006-11.	600	-	Government grant

Scheme Reference & Description	Scheme Narrative	2009-10 £k	Future Years £k	Funding Source
General Fund continued				
2009-10/GF 033 Northgate Replacement Server - Guildhall	Replacement of the existing server that holds the main Northgate application for the administration of Revenues and Benefits, with a server capable of supporting the Microsoft version of the application and working in cluster architecture with a virtual server for continuity of service provision.	36	-	Prudential borrowing or capital receipts
2009-10/GF 038 McAfee Security Software	To purchase security software from McAfee that will be used to encrypt all the NBC 200 laptop hard drives. Also a software package that will restrict / block the use of any removable device that could be connected to our PCs or laptops.	35	-	Prudential borrowing or capital receipts
2009-10/GF 031 One Stop Shop Transformation	To transform and modernise the One Stop Shop to match demand and be fit for purpose. This includes creating a more flexible layout, maximising the space available, installing an effective queue management system, easily identified waiting areas, a plasma information screen, a better variety of seating options, and a children's play area.	250	-	£100k third party contributions; £150k Prudential borrowing or capital receipts
2009-10/GF 056 Wheeled bins and Recycling Boxes	Provision of new wheeled bins and flat recycling containers to replace those damaged, lost or stolen, and to provide new developments and convert those that are currently still using black sacks, with appropriate provision of receptacles for waste disposal and recycling to meet our current vehicles fleet methods of collection	100	-	Prudential borrowing or capital receipts

Scheme Reference & Description	Scheme Narrative	2009-10 £k	Future Years £k	Funding Source
HRA				
Decent Homes and Poor Condition Improvement	Capital works to be delivered to just under 4,000 council homes identified for investment over the next 4 years. The works include capital element replacement and major repair, to the internal and external of homes, communal areas and the environment, and extends to 17 areas of the town.	6,000	20,078	Supported borrowing; Major Repairs Reserve; capital receipts and revenue contributions. Also, in future years prudential borrowing.
Ad Hoc heating	An annual rolling programme to replace full or partial heating systems and boilers when they are proven to be beyond economical repair or have broken down irretrievably.	700	1,000	Major Repairs Reserve
Planned heating	A project to replace or install central heating and hot water systems in Council dwellings.	300	-	Major Repairs Reserve
Cooper Street (Internal works)	Internal works to Council owned properties in Cooper Street.	1,000	-	Major Repairs Reserve
Lifts	A continuing project to refurbish lifts serving Council flats, to include works to meet the Disabled Discrimination Act. Work to modernise lifts that are old and defective; works associated with the health and safety of engineers. Also to provide a second lift to Eleonore House, St James and Town Centre to meet the fire regulations.	520	100	Major Repairs Reserve
Door Entry	A project to replace and upgrade existing doors and door entry mechanisms to communal areas where there is currently none and there is an identified need; or where the existing provision is insufficiently secure or functional.	200	400	Major Repairs Reserve

Scheme Reference & Description	Scheme Narrative	2009-10 £k	Future Years £k	Funding Source
HRA continued				
Capital Voids	Some properties are in poor condition when coming void and if tenants have previously refused improvements may need bringing up to Decent Homes standard. Void turnaround time and re-letting times are key indicators for this authority.	1,600	3,200	Major Repairs Reserve
Minor Disabled Adaptions (Council Stock)	An annual rolling programme of minor adaptations for Council Tenants.	130	320	Major Repairs Reserve
Structures	An annual rolling programme of structural monitoring and maintenance for properties suffering from subsidence or similar building defects. Works carried out may include underpinning to individual dwellings or blocks, strengthening roofs, rebuilding cable end walls, installing beams supports.	200	400	Major Repairs Reserve
Ad Hoc Doors and Windows	A project to replace existing doors with GRP and to provide double glazing to properties where no access has been given on previous projects.	80	-	Major Repairs Reserve
Survey works	To carry out recommendations according to survey findings and ensure the work force and the public are safe in Council properties whether their home or as their work place.	100	200	Major Repairs Reserve
Disabled Adaptations	Provision of assistance for eligible Council Tenants to adapt the properties to meet bathing and access issues	300	750	HRA Revenue contribution
Garages	A garage review is currently underway to asses which garage sites are required for future use and which may provide development sites. Once retention garages are identified they will require refurbishment to allow them to be marketed and let.	100	200	Major Repairs Reserve

Scheme Reference & Description	Scheme Narrative	2009-10 £k	Future Years £k	Funding Source
HRA continued				
Fencing	Tenancy management and responsive repairs have identified that the fencing in particular estates are in a poor condition. There are sites which would require fencing where maintaining boundaries have health and safety or legal obligations, and definite impact on community safety	100	200	Major Repairs Reserve
Environmental Improvements	Capital works arising from the comprehensive estate walkabout programme introduced by housing, whereby local residents and partner agencies visit estates with Housing Officers and identify issues and concerns	300	600	Major Repairs Reserve

2009-10 Funding Issues

3.2.10 The table below outlines how it is planned to fund the proposed capital programme in 2009-10.

Funding source	GF	HRA	Total
	£m	£m	£m
Supported Borrowing	0	0.554	0.554
Prudential Borrowing	0.828	0	0.828
Capital Receipts	0.340	0.300	0.640
Major Repairs Allowance	0	10.914	10.914
Grants & Third Party Contributions	2.428		2.428
Revenue Contributions	0.238	0.661	0.899
Total	3.834	12.429	16.263

The Capital Programme and the Council's Corporate Priorities

3.2.11 Annex D sets out how the schemes in the proposed capital programme contribute to the Council's corporate priorities for 2008-2011.

Future Years

3.2.12 Bids for future year starts in 2010-11 and 2011-12 have been put forward in outline only, and are listed in Annex E. This includes bids that were not successful in going forward as part of the proposed programme for 2009-10.

3.2.13 The outline bids are included in the programme for planning purposes. Project appraisals will be completed for these bids during the year preceding the proposed start, and Council will decide which bids will be agreed for inclusion in the programme in the preceding February or March of each financial year. The resources available to fund the programme are expected to be constrained, and only a small proportion of the outline bids will therefore be able to be funded and included in the programme proposals for those years.

3.3 Choices (Options)

3.3.1 Cabinet are asked to recommend to Council that they approve the recommendations at paragraph 2.2.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The capital programme is set in the context of the Council's Capital Strategy. The Capital Strategy for 2009-10 to 2011-12 is attached at Annex A.

4.1.2 The approval of the capital programme 2009-10 forms part of the annual budget setting process, and if approved the programme and the strategy will become policy documents.

4.2 Resources and Risk

4.2.1 Members are required to agree a balanced capital programme. The 2009-10 draft programme at Annex B is fully funded, as set out at Annex C and paragraph 3.2.10 above, and therefore meets this obligation.

4.2.2 The revenue implications of each scheme included in the proposed capital programme for 2009-10 have been included in the revenue budget proposals for 2009-10 and future years. This includes debt financing budget impacts arising from prudential borrowing to support the programme.

It is proposed that unsupported (prudential) borrowing of £0.828m will be used to support the proposed capital programme in 2009-10. This will create a revenue commitment for interest payments in 2009-10 and a revenue commitment in for principal and interest in future years. The value of the principal element will vary in line with the new MRP (Minimum Revenue Provision) regulations, and an estimate has been provided for this, and for the interest repayments in the Council's debt-financing budget. Should the actual funding come from 'internal borrowing' - i.e. use of cash flow balances - the interest cost of borrowing will be replaced by a reduction in the interest earned on investments.

4.2.3 Each scheme will be subject to risk assessment and risk management in respect of both financial and non-financial aspects of the project. This is the responsibility of the project manager, and results are reported through corporate performance reporting. Overall risks around capital programme financing are monitored by the Finance Manager (Capital & Treasury) and any emerging issues are reported to the Council's Chief Financial Officer (the Director of Finance and Support).

4.3 Legal

4.3.1 A number of the schemes in the programme are necessary to fulfil the Council's legal or statutory obligations. The legal and statutory issues relating to each scheme are set out in the individual project appraisals and managed by the project manager through the project risk registers.

4.4 Equality

4.4.1 The Capital Strategy has undergone an Equalities Impact Assessment screening, which determined that a full Assessment was not required as there are no direct impacts on individuals from the Capital Strategy. The Initial EIA Screening document is attached at Annex F.

4.4.2 Each completed capital project appraisal includes responses to the following questions:

- State specifically the equalities issues that have been identified that this project will address?
- How will this project address the equalities issues that have been identified?

4.4.3 The Equalities Impact Assessment process will be undertaken for each scheme in the agreed capital programme as a condition of approval.

4.5 Consultees (Internal and External)

4.5.1 Consultations are undertaken in respect of individual schemes within the programme, and these are explained in the project appraisals.

4.5.2 The draft capital programme and the Capital Strategy have undergone public consultation as an integral part of the annual budget setting process. The consultation period finished on 30th January 2009.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 See paragraph 3.2.11 and Annex D

4.7 Other Implications

4.7.1 Other implications may arise in relation to specific capital schemes. These are addressed in the individual project appraisals.

5. Background Papers

5.1 Cabinet Reports

- 22 December 2008 - Capital Programme 2009-10 to 2011-12

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