

Appendices

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NORTHAMPTON
BOROUGH COUNCIL

Item No.

CABINET REPORT

Report Title

CAPITAL PROGRAMME 2012-13 TO 2014-15

AGENDA STATUS:

PUBLIC

Cabinet Meeting Date: 22 February 2012

Key Decision: YES

Listed on Forward Plan: YES

Within Policy: YES

Policy Document: Capital Strategy

Directorate: Finance & Support

Accountable Cabinet Member: Alan Bottwood

Ward(s) Not Applicable

1. Purpose

1.1 The purpose of the report is:

- To present the Council's Capital Strategy for 2012-13 to 2014-15
- To present the proposed capital programme for 2012-13.
- To outline the capital programme funding proposals for 2012-13 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 2012-13 to 2014-15, as set out in Appendix A.
 - b) The capital programme for 2012-13, including future year commitments, as set out in Appendix B.
 - c) The capital financing principles to be applied in 2012-13, as set out in the Capital Strategy (Appendix A) pages 10-11.
 - d) The proposed financing of the capital programme for 2012-13 and future years, as set out at paragraphs 3.2.16 and Appendix C.
 - e) That authority be delegated to the Director of Finance and Support in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, prior to Council for any capital programme changes that impact on these.
 - f) That Cabinet be authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes during 2012-13, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.
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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. Reductions in overall revenue funding constrain the ability to undertake borrowing in support of capital expenditure due to its impact on interest and Minimum Revenue Provision (MRP) charges
- 3.1.2 The national economic situation continues to make it difficult to realise capital receipts. In line with the Capital Strategy, receipts are only utilised to fund capital expenditure when actually received.
- 3.1.3 Right to Buy sales remain low compared to historic levels (17 to date in 2011/12) due to difficulties in the housing market generally, This has an impact on the availability of capital receipts to fund Housing capital expenditure.
- 3.1.4 Some grant funding has also been affected where grant-awarding bodies are being forced to tighten their belts. Officers are continually seeking new sources of grant funding, the outcome of which often becomes known during the course of the year. In line with the delegation scheme, capital schemes that are fully funded from external grants and contributions and in accordance with the objectives and priorities of the Council can be added to the programme with the approval of the Director of Finance and Support. This enables such schemes to commence promptly and achieve their objectives in line with grant conditions.

Building the Capital Programme.

- 3.1.5 Project appraisals have been completed for all 2012-13 capital programme bids.
- 3.1.6 Each project appraisal demonstrates how the scheme will contribute to:
- The Council's corporate priorities.
 - Statutory duties and legal commitments
 - Equalities
 - Efficiency and Value for Money
- 3.1.7 These factors are all taken into account in formulating a proposed capital programme that will best target the Council's corporate priorities within the resources available.
- 3.1.8 Officers maintain a file of all project appraisals and copies of individual appraisals are available on request.

3.2 Issues

The Capital Strategy

- 3.2.1 The proposed Capital Strategy for 2012-13 to 2014-15 is attached at Appendix A and updates the strategy approved by Council on 28 February 2011. Only minor changes have been made, including some to ensure consistency with the Treasury Management Strategy and Prudential Indicators.
- 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 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 the Council's capital funding strategy for 2012-13.

Capital Programme

- 3.2.7 The proposed capital programme for 2012-13 to 2014-15 is attached at **Appendix B**. The value of the total proposed capital programme for 2012-13 is £27.179m, split between General Fund (GF) £9.464m and Housing Revenue Account (HRA) £17.715m. A schedule of the individual schemes can be seen in Appendix B.

General Fund Programme

- 3.2.8 General Fund schemes have been prioritised within the resources available, i.e. capital receipts that will be received during 2011/12. No new schemes have been included for 2013/14 and 2014/15 pending the delivery of further receipts.
- 3.2.9 There is continuing significant demand for Disabled Facilities Grants. These are mandatory for the Council when the homeowner has made a full application. The proposed programme includes an annual budget of £1.475m, including £1m per annum funded by borrowing.
- 3.2.10 The £3m funding requirement for the bus interchange will be covered either by capital receipts or prudential borrowing. The Council will seek to apply any relevant capital receipts in line with the capital and asset management strategy. Additionally, dependant upon the final design, there is scope for retail development, which could deliver a source of income to support prudential borrowing should that be required.
- 3.2.11 Our Property Disposal Strategy is generating new capital receipts and reducing holding costs. A successful programme of asset sales has generated capital receipts of nearly £1.7m during 2011/12 to date. These will be partly utilised to fund the 2012/13 recommended programme and partly set aside in a capital reserve fund. This reserve provides a funding source for future priority schemes and emergencies.
- 3.2.12 The only changes to the General Fund programme since the December 2011 Cabinet report are the removal of the scheme for Renovation of Commercial Property (GF10 - £230k), which is no longer required and the inclusion of works to Upper Abington Park Toilets (GF28 - £65k).

HRA Programme

- 3.2.13 The recommended programme and funding for 2012/13 flows from the HRA Business Plan approved by Cabinet on 18th January 2012. It is affordable and directed to the priorities set out within that plan.
- 3.2.14 The 30-year Business Plan includes provision for funding of new build and regeneration of existing housing stock from 2014/15 onwards. This is included in the programme presented in this report but is still subject to a detailed appraisal.
- 3.2.15 The funding of the programme includes the provisional allocations of Decent Homes Grant previously notified by CLG. This is £4.54m in 2012/13 and a further £44.76m over the subsequent two years. The programme will need to be revised if these grant levels are not confirmed at these levels.

2011-12 Funding Issues

- 3.2.16 The table below outlines how it is planned to fund the proposed capital programme in 2012-13.

Funding source	GF	HRA	Total
	£m	£m	£m
Prudential Borrowing	1.279	3.170	4.449
Capital Receipts	2.824	0.125	2.949
Major Repairs Reserve	0	8.229	8.229
Grants & Third Party Contributions	5.361	4.540	9.901
Revenue Contributions	0	1.651	1.651
Total	9.464	17.715	27.179

3.2.17 A more detailed breakdown of the funding assumptions for the next three years is set out at Appendix C.

3.3 Choices (Options)

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

3.3.2 Cabinet may propose changes to the capital programme in consultation with the Chief Financial Officer.

3.3.3 Cabinet may propose changes to the Capital Strategy in consultation with the Chief Financial Officer.

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 proposed Capital Strategy for 2012-13 to 2014-15 is attached at **Appendix A**.

4.1.2 The approval of the 2012-13 capital programme forms part of the annual budget setting process, and if approved the programme will become a policy document.

4.2 Resources and Risk

4.2.1 Members are required to agree a balanced capital programme. The 2012-13 programme shown in **Appendix B** is fully funded, as set out at **Appendix C**, and will meet this obligation.

4.2.2 The revenue implications of each scheme included in the proposed capital programme for 2012-13 have been included in the revenue budget proposals for 2012-13 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 £1.279m will be used to support the proposed General Fund capital programme in 2012-13. This will create a revenue commitment for interest payments in 2012-13 and a revenue commitment for principal and interest in future years. The value of the principal element will vary in line with the 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.

- 4.2.4 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. Risks around the financing of the capital programme are monitored by the Finance Manager (Capital) 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 An initial screening has been undertaken for all of the projects included in the recommended programme, and a full screening done where this is deemed necessary. This information has been used in the prioritisation process.
- 4.4.2 Appropriate completion of the Equalities Impact Assessment process is a condition of approval for each scheme in the capital programme.
- 4.4.3 The project manager is responsible for ensuring that issues identified in the Equalities Impact Assessment are appropriately addressed in the implementation of the capital scheme.

4.5 Consultees (Internal and External)

- 4.5.1 Members of the public were consulted on aspects of the draft capital programme through the general consultation on the budget. The outputs of this consultation can be found in an Appendix to the Revenue Budget Report.
- 4.5.2 Consultations are undertaken in respect of individual schemes within the programme, and these are explained in the project appraisals.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The Capital Appraisal developed in support of each scheme details the schemes contribution to Council priorities and this has informed the prioritisation of the programme.

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.

4.7.2 List of Appendices

- Appendix A Capital Strategy.
- Appendix B Capital Programme 2012-13 to 2014-15
- Appendix C Forecast of Capital Financing 2012-13 to 2014-15

5. Background Papers

5.1 Cabinet Reports

- 21st December 2011 – Budget and Capital Programme 2012-13 to 2014-15

5.2 Equalities and Human Rights Commission

- The Public Sector Equality Duty and Financial Decisions.

5.3 Other Papers

- Capital Appraisals
- Budget Consultation papers

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