



CABINET REPORT

Report Title	CAPITAL PROGRAMME 2013-14 TO 2015-16
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AGENDA STATUS:

PUBLIC

Cabinet Meeting Date:	20 February 2013
Key Decision:	YES
Within Policy:	YES
Policy Document:	Capital Strategy
Directorate:	Resources
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

1.1 The purpose of the report is:

- To present the proposed capital programme for 2013-14.
- To outline the capital programme funding proposals for 2013-14 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 programme for 2013-14, including future year commitments, as set out in Appendix A.
- b) The capital financing principles to be applied in 2013-14, as set out in the approved Capital Strategy and attached as Appendix C.
- c) The proposed financing of the capital programme for 2012-13 and future years, as set out at paragraphs 3.2.11 and Appendix B.

- d) That authority be delegated to the Chief Finance Officer 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.
 - e) That Cabinet be authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes during 2013-14, 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 continues to face 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 (RTB) sales have picked up compared to recent years (32 to date in 2012/13 compared to 17 for the same period in 2011/12). This follows an increase in discount levels introduced from April 2012. This increases the availability of capital receipts to fund Housing capital expenditure. Pooling regulations have changed such that the Council now retains all RTB receipts in excess of those assumed in the HRA self-financing buyout, provided that these are invested in the provision of additional social housing.
- 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 Chief Finance Officer. 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 2013-14 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

Capital Programme

- 3.2.1 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.
- 3.2.2 The proposed capital programme for 2013-14 to 2015-16 is attached at **Appendix A**. The value of the total proposed capital programme for 2013-14 is £30.122m, split between General Fund (GF) £5.747m and Housing Revenue Account (HRA) £24.375m. A schedule of the individual schemes can be seen in Appendix A.

General Fund Programme

- 3.2.3 General Fund schemes have been prioritised within the resources available, i.e. capital receipts that will be received during 2012/13 plus borrowing that was assumed at the time that the 2012/13 revenue budget was approved. No new schemes have been included for 2014/15 and 2015/16 pending the delivery of further receipts.
- 3.2.4 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.
- 3.2.5 The new bus interchange is being partly funded by prudential borrowing of £3m spread across 2012-13 and 2013-14, plus grant of £4m from West Northamptonshire Development Corporation (WNDC) in 2012-13. The phasing of expenditure on this significant scheme has been reviewed, as reported to Cabinet on 13th February 2013. This re-phasing is not reflected in the capital programme and funding set out in this report.
- 3.2.6 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 2012/13 to date. These will be partly utilised to fund the 2013/14 recommended programme and partly set aside in a capital reserve fund. This reserve provides a funding source for future priority schemes and emergencies.
- 3.2.7 The only change to the General Fund programme since the December 2012 Cabinet report is the inclusion, for completeness, of the previously agreed 3-year Empty Homes Programme, which is fully funded by grant from the Homes and Communities Agency (HCA).

HRA Programme

- 3.2.8 The recommended programme and funding for 2013/14 flows from the latest HRA Business Plan. It is affordable and directed to the priorities set out within that plan.

3.2.9 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 along with an annual provision for the repurchase of former council houses, where this is financially viable.

3.2.10 The funding of the programme includes the significant allocations of Decent Homes Grant previously notified by the Department of Communities and Local Government This is £17m in 2013/14 and a further £15.36m in 2014/15.

2013-14 Funding

3.2.11 The table below outlines how it is planned to fund the proposed capital programme in 2013-14.

Funding source	GF	HRA	Total
	£m	£m	£m
Prudential Borrowing	3.640	0	3.640
Self-funded Borrowing	0.410	0	0.410
Capital Receipts	0.540	0.600	1.140
Major Repairs Reserve	0	6.775	6.775
Grants & Third Party Contributions	1.107	17.000	18.107
Revenue Contributions	0.050	0	0.050
Total	5.747	24.375	30.122

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

3.3 Choices (Options)

3.3.1 Cabinet are asked to recommend to Council that they approve the recommendations at paragraph 2.1.

3.3.2 Cabinet may propose changes to the capital programme and funding in consultation with the Chief Finance 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 was approved by Council on 29 February 2012.

4.1.2 The approval of the 2013-14 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 2013-14 programme shown in **Appendix A** is fully funded, as set out at **Appendix B**, and will meet this obligation.

4.2.2 The revenue implications of each scheme included in the proposed capital programme for 2013-14 have been included in the revenue budget proposals for 2013-14 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 £3.640m will be used to support the proposed General Fund capital programme in 2013-14. This will create a revenue commitment for interest payments in 2013-14 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 Finance Officer.

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 Appropriate completion of the Equalities Impact Assessment process is a condition of approval for each scheme in the capital programme.

4.4.2 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 Programme 2013-14 to 2015-16
- Appendix B Forecast of Capital Financing 2013-14 to 2015-16
- Appendix C Capital Funding Strategy

5. Background Papers

5.1 Cabinet Reports

- 19th December 2012 – Budget and Capital Programme 2013-14 to 2015-16

5.2 Equalities and Human Rights Commission

- The Public Sector Equality Duty and Financial Decisions.

5.3 Other Papers

- Capital Strategy 2012-13 to 2014-15
- Budget Consultation papers

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