

COUNCIL – 27TH FEBRUARY 2012

Report of the Cabinet

ITEM 6.2 NEW CAPITAL PLAN 2012-13 TO 2014-15

Purpose of Report

To agree the New Capital Plan 2012/13 to 2014/15 and the probable sources of funding.

Recommendation

That the New Capital Plan 2012/13 to 2014/15 be approved.

Reason

To adopt a Capital Plan for the three year period 2012/13 to 2014/15 so that it can become the basis for capital spending by the Council.

Policy Justification and Previous Decisions

At its meeting on 16th February 2012, Cabinet considered a report of the Head of finance and Property Services which proposed a New Capital Plan 2012/13 to 2014/15 and the probable sources of funding for submission to Council for approval.

Cabinet resolved the following:

1. that it be recommended to Council that the New Capital Plan for 2012-13 to 2014-15 be approved; and
2. that the report of the Overview Scrutiny Group be noted, that it be acknowledged that the Group supported the recommendations in the report of the Head of Finance and Property Services, filed with these minutes, and that the Group be thanked for their work.

Reasons

1. To adopt a Capital Plan for the three year period 2012-13 to 2014-15 so that it can become the basis for capital spending by the Council.
2. To acknowledge the views of the Overview Scrutiny Group.

Report Implications and Risks are as detailed within the report considered by Cabinet, attached as an Annex.

Background Papers: None specific to the referral to Council

Officer to Contact: Darren Tilley, Team Leader – Democratic Services and
Mayoralty
Telephone: (01509) 63 4781
Email: darren.tilley@charnwood.gov.uk

CABINET – 16 February 2012**Report of the Head of Finance & Property****Lead Member: Councillor T Barkley****Part A****ITEM 9 New Capital Plan 2012/13 to 2014/15**Purpose of Report

To agree the New Capital Plan 2012/13 to 2014/15 as well as the probable sources of funding for submission to Council for approval.

Recommendation

That it be recommended to Council that the New Capital Plan for 2012/13 to 2014/15 be approved.

Reason

To adopt a Capital Plan for the three year period 2012/13 to 2014/15 so that it can become the basis for capital spending by the Council.

Policy Justification

The Council's Capital Plan is an integral element of all policies.

Implementation Timetable including Future Decisions and Scrutiny

The final Capital Plan will be considered by Council on 27 February 2012. Overview Scrutiny Group intends to consider this report on 13 February 2012. Provided it is approved, the new Capital Plan will come into effect on 1 April 2012. Any changes to the Plan will then be considered by Cabinet and Council as part of the Capital Plan Amendment report process. These reports are also available for scrutiny by the Overview Scrutiny Group and the Performance Scrutiny Panel.

Report Implications

The following implications have been identified for this report.

Financial Implications

Overall, the Capital Plan will be fully funded either through the use of revenue and capital resources or, for the Housing Revenue Account (HRA) expenditure, through a

mixture of revenue, grants and borrowing which can be serviced from the HRA income received each year. Over the three years to 31 March 2015 this Plan will see £3.79m spent on General Fund assets for the council and investment of £41.5m in the housing stock, a total of £45.3m.

Risk Management

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
General Fund Schemes that are dependent, to a greater or lesser extent, on external funding are susceptible to that funding either not being forthcoming or being reduced.	Unlikely	Major	Schemes will not be given authority to spend until the funding is proven. Shortfalls in funding will result in the scheme being either scaled back/scrapped or alternative funding sought.
Inflation on the amounts requested for the General Fund schemes. A half per cent rise in inflation would increase the General Fund Plan by £19k over the three years.	Possible	Minor	Capital appraisals will be required for schemes with a value over £50k before they receive authority to spend. Inflationary impacts will be taken in to account at that stage and the actual amounts involved are relatively minor.
Inflation on the amounts requested for the HRA schemes. A half per cent rise in inflation would increase the HRA Plan by £208k over the three years.	Possible	Major	The HRA Plan is reviewed each year and any inflationary effects will be considered at that time and the Plan for that particular year altered if necessary. The Capital Expenditure included in the HRA Plan already has an inflation factor applied.
Schemes have not been subjected to a formal tendering procedure or detailed quotes.	Highly Probable	Moderate	The Capital Appraisal process will be used to overcome this.
The Plan is based on legislation and accounting practices as currently known or anticipated.	Highly Probable	Moderate	Suitable revisions of the programme would be made if material changes occurred.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Capital receipts are not forthcoming as forecast.	Unlikely	Moderate	The Capital Plan and its funding are reviewed on a regular basis throughout the year and any such shortfall would be brought to the attention of members along with actions to mitigate its effect. The amount of capital receipts assumed is low.
Decent Homes funding in 2012/13 to 2014/15 is not forthcoming.	Unlikely	Severe	We are not aware of any such decision having been taken or being under consideration. However, should this occur then the expenditure on Decent Homes funding would be re-profiled over a longer period of years.

Equality and Diversity

There are no specific Equalities and Diversity issues affecting the recommendation in this report, though any such issues affecting particular schemes will be considered as part of those schemes' formal appraisal.

Sustainability

There are no direct sustainability issues affecting the recommendation, but any affecting specific schemes will be considered as part of the appraisal of those schemes.

Scrutiny Committee:

Overview Scrutiny Group

Key Decision:

Yes

Background Papers:

Detailed working papers in Accountancy and Service Areas

Officers to Contact:

John Casey, 01509 634810
John.casey@charnwood.gov.uk

Part B

I. Background

The Council operates the Capital Plan on a three year basis to reflect the longer term nature of capital expenditure and in accordance with best practice. Heads of Service, after discussions with their Lead Members and directors, submitted Capital Applications together with a score to the Senior Management Team. Scoring is based on how closely schemes match the Council's Corporate Plan, their affordability, achievability, key risks, effect on performance indicators etc.

These schemes were then considered in the light of available funds and the challenges facing the Council and, from this process, a New Capital Plan for 2012/13 to 2014/15 was produced and is shown on Appendix I. This shows both General Fund and Housing Revenue Account schemes.

There will still be some schemes on the current 2011/12 Capital Plan that will not be completed until after 31 March 2012. These will be carried forward and added to the New Plan in due course, but have not been shown here as they have already been approved and are adequately funded.

The Appendix lists each of the schemes and shows the proposed expenditure over the three years, as well as any external funding (in italics) or internal funding, which is not from Capital receipts. The two right hand columns show the total of additional revenue or income in respect of these schemes over the three years. The remaining pages of Appendix I provide a brief explanation of each scheme.

The Senior Management Team has recommended that all the new schemes as shown on Appendix I be considered for inclusion in the Capital Plan by Cabinet and Council.

Cabinet should note that only limited information is available at present and the costings for the new schemes are on 'best estimate' basis and firm quotations or tender prices have not been obtained at this stage. It should also be noted that schemes, with a value of £50k or more, even when approved by Council for inclusion in the Plan in February 2012, will still require a Capital Appraisal and a report to Cabinet before authority to spend is granted.

2. New General Fund Capital Plan 2012/13 to 2014/15

The tables below show a summary of the new schemes and the anticipated funding positions. They exclude schemes in the current Capital Plan as noted above.

Table I

	2012/13	2013/14	2014/15	TOTAL
	£'000	£'000	£'000	£'000
<u>General Fund</u>				
New Plan Schemes	1,578	1,187	1,027	3,791
Potential Net Slippage	(158)	39	16	(103)
Total Cost	1,420	1,226	1,043	3,689
Net funding b/f from prior year	2,250	1,525	1,002	2,250
Anticipated External Funding	444	456	509	1,409
Revenue Contribution to Capital	180	160	125	465
Reinvestment Reserve Funding	72	87	62	220
Total Funding	2,946	2,228	1,698	4,344
Funding Balance	1,525	1,002	655	655

Table I shows total proposed schemes of £3.8m, less £103k of slippage, giving a net figure of £3.69m and anticipated funding of £4.34m. It should be noted that the costs shown above are best estimates made by the relevant services and do not reflect firm quotes or tender prices.

The New Plan Schemes are set out in more detail in Appendix I. 'Slippage' occurs when schemes are not completed in the year planned and can be due to various reasons, such as building delays, permissions taking longer than anticipated etc. The deduction of slippage means that the total cost of the schemes is lower than that shown in Appendix I.

The funding of £2.25m brought forward from the previous year is the current estimate of the likely level of uncommitted capital receipts that will be available at 1 April 2012. This figure may vary to reflect savings and or additional expenditure on the current schemes in the 2011/12 Capital Plan. Anticipated External Funding is in respect of grants and capital receipts which are expected over the next three years. It should be noted that the grants are scheme specific and cannot be used to fund a variety of schemes. This funding also assumes that the value of council houses sales will continue at around its current level for the next three years. Forecast income from other asset disposals has been arrived at after considering current interest in surplus properties and in light of the prevailing market conditions.

Revenue Contribution to Capital (RCCO) is in respect of major improvements and refurbishment works to properties and the Reinvestment Reserve funding will be used on two schemes which will provide a return on the investment. Therefore, the RCCO and Reinvestment Reserve funding are also scheme specific. During the life of the Plan the Council will also use Section106 funding from developers for a variety of schemes around the borough. These schemes are not included in Appendix I as proposals, often from parishes, have not been received yet. Those schemes will be fully funded and will not impact on the funding amounts shown above.

Overall the 2012/13 to 2014/15 General Fund Capital Plan will be fully funded and should result in approximately £550k being available for future schemes after 1 April 2015. This is a much smaller amount than has previously been the case and other funding options for post April 2015 schemes will be considered nearer that time.

3. New HRA Capital Plan 2012/13 to 2014/15

Table 2

	2012/13	2013/14	2014/15	TOTAL
	£'000	£'000	£'000	£'000
<u>Housing Revenue Account</u>				
New Plan Schemes	13,036	15,569	12,908	41,513
Potential Net Slippage	(261)	(51)	53	(258)
Total Cost	12,775	15,518	12,961	41,255
Net funding b/f from prior year	0	261	311	0
Anticipated External Funding	2,620	2,620	3,140	8,380
Revenue Contribution to Capital	2,400	2,875	3,821	9,096
Borrowing	2,073	4,427	159	6,659
Major Repairs Reserve or Equivalent	5,943	5,647	5,788	17,378
Total Funding	13,036	15,830	13,219	41,513
Funding Balance	261	311	258	258

The HRA capital expenditure and funding, as shown in Table 2 above, are in accordance with the 30 Year HRA Business Plan. Appendix I shows the schemes in more detail.

Anticipated External Funding is from the Government for Decent Homes works and will be through grants. These grants have still to be confirmed and if they are not forthcoming then the HRA Capital Plan will be re-profiled to manage this with expenditure on Decent Homes being spread over a longer period.

Revenue Contributions to Capital will be from any annual surplus on the HRA and will not be scheme specific. The Borrowing will be part of the amount that the Council is allowed to borrow up to a total debt cap set by the government. This has still not been formally agreed by the Council and may be subject to change. The Major Repairs Reserve, or equivalent, effectively represents the amount set aside for depreciation each year and this becomes a cash amount that will be spent on capital works.

The level of capital expenditure will be set so as to ensure that the housing stock is kept in good repair and at a level that also allows the Council to service the nearly £80m borrowing that it will have to undertake to pay the government in March 2012, as well as the additional borrowing mentioned above. As such the HRA Capital Plan will be adequately funded over the three years.

4. Prudential Code

In order to comply with the Prudential Code capital expenditure must be affordable in the long term, and therefore sustainable, which requires that the decision making process must be prudent. The revenue impact of the capital expenditure must be contained within the forward plans of the authority which provides a level of Council Tax that the Council considers acceptable. Implementation of the proposed General Fund Capital Plan would result in net revenue savings and therefore is in line with the proposed 2012/13 Revenue Budget and the current Medium Term Financial Strategy.

Consideration has been given to undertaking prudential borrowing in order to fund General Fund capital expenditure. However, this would incur additional revenue costs for both interest and repayments which the council would have to be able to fund as well as the savings programme which is required to continue to fund services in the light of reduced central government funding. In view of this and as set out in the current Medium Term Financial Strategy and Treasury Management Strategy Statement, the Council does not intend to undertake any material General Fund borrowing in the medium term.

5. Consultation Responses

There were no direct consultation responses regarding the New Capital Plan. However, a reply from Loughborough University did suggest that there might be a case for increasing investment rather than adding to reserves. This is precisely what the council intends to do for the HRA by ensuring that reserves are kept at their target level of £110 per dwelling from 2013/14 and using anticipated surpluses to invest in the housing stock. In addition, the Council will borrow over £6m in the next three years to provide further finance and overall the Plan shows investment in the housing stock of over £41.5m to March 2015 compared to £17.6m over the last three years, being nearly a 240% increase.

With severely reduced government funding for the General Fund and uncertainties over the effect of changes to the retention of Business Rates, it would not be prudent at present to use reserves to fund additional capital expenditure.

NEW CAPITAL PLAN 2012/13 TO 2014/15

Appendix 1

Scheme Name	Expenditure				External* or Internal (not from Capital Receipts) Funding				Net of Funding				3 Year	3 Year
	2012/13	2013/14	2014/15	Total	2012/13	2013/14	2014/15	Total	2012/13	2013/14	2014/15	Total	Revenue Savings	Revenue Costs
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
General Fund														
Directorate of Housing, Planning & Regeneration and Regulatory Services														
Disabled Facilities Grants (Block Sum)	610,000	630,000	650,000	1,890,000	350,000	350,000	390,000	1,090,000	260,000	280,000	260,000	800,000	-	-
Private Sector Housing Grants (Block Sum)	35,000	40,000	45,000	120,000	0	0	0	0	35,000	40,000	45,000	120,000	-	-
Car Park Improvements and Refurbishments	250,000	55,000	55,000	360,000	0	0	0	0	250,000	55,000	55,000	360,000	-	-
Historic Buildings Grants (Block Sum)	5,000	5,000	0	10,000	0	0	0	0	5,000	5,000	0	10,000	-	-
Directorate of Community Wellbeing														
Community Facilities Grants	80,000	70,000	0	150,000	0	0	0	0	80,000	70,000	0	150,000	-	-
Bus Shelter Replacement and Advertising	72,000	67,500	61,500	201,000	72,000	67,500	61,500	201,000	0	0	0	0	427,000	129,500
Town Hall Soundproofing for the Victoria Room	0	19,000	0	19,000	0	19,000	0	19,000	0	0	0	0	72,200	33,800
Directorate of Corporate Services														
Financial Management System Upgrade	79,000	0	0	79,000	0	0	0	0	79,000	0	0	79,000	-	4,800
Planned Property Refurbishment (Block Sum) to be funded from direct revenue contributions*	180,000	160,000	125,000	465,000	180,000	160,000	125,000	465,000	0	0	0	0	-	-
Office Accommodation Strategy - Phase 4	100,000	50,000	0	150,000	0	0	0	0	100,000	50,000	0	150,000	75,000	-
Lagan Rollout	57,300	0	0	57,300	0	0	0	0	57,300	0	0	57,300	-	25,800
Hardware Replacement (Block Sum)	60,000	60,000	60,000	180,000	0	0	0	0	60,000	60,000	60,000	180,000	-	-
Qmatic Upgrade	20,000	0	0	20,000	0	0	0	0	20,000	0	0	20,000	-	-
Infrastructure Development - Block Sum	20,000	20,000	20,000	60,000	0	0	0	0	20,000	20,000	20,000	60,000	-	-
Website Development - Block Sum	10,000	10,000	10,000	30,000	0	0	0	0	10,000	10,000	10,000	30,000	-	-
Total General Fund	1,578,300	1,186,500	1,026,500	3,791,300	602,000	596,500	576,500	1,775,000	976,300	590,000	450,000	2,016,300	-	424,200
HRA														
Directorate of Housing, Planning & Regeneration and Regulatory Services														
Scheme Name														
Decent Homes	9,732,000	13,175,000	8,990,000	31,897,000										
Non-Traditional Refurbishment	2,012,000	932,000	2,523,000	5,467,000										
Estate Works	73,000	73,000	73,000	219,000										
Major Adaptations	340,000	349,000	357,000	1,046,000										
Minor Adaptations	60,000	61,000	63,000	184,000										
CNH Procurement Fees	819,000	979,000	902,000	2,700,000										
Capital Funding														
MRA/Depreciation					5,943,000	5,647,000	5,788,000	17,378,000						
DHS grant					2,620,000	2,620,000	3,140,000	8,380,000						
Revenue Contributions					2,400,000	2,875,000	3,821,000	9,096,000						
Borrowing					2,073,000	4,427,000	159,000	6,659,000						
Total HRA	13,036,000	15,569,000	12,908,000	41,513,000	13,036,000	15,569,000	12,908,000	41,513,000	0	0	0	0	-	-
Grand Total	14,614,300	16,755,500	13,934,500	45,304,300	13,638,000	16,165,500	13,484,500	43,288,000	976,300	590,000	450,000	2,016,300	-	424,200

* External funding is shown in *italics*

Appendix I General Fund

Directorate of Housing, Planning & Regeneration and Regulatory Services

Disabled Facilities Grants (Block Sum) - To provide adaptations to private sector and Registered Social Landlord homes so that disabled residents can continue in occupation. This is a mandatory requirement in the Housing Grants Construction and Regeneration Act 1996.

Private Sector Housing Grants (Block Sum)- To provide grant assistance to vulnerable low income owner occupier households for emergency remedial works to remove category I hazards and to continue to fund the installation of community alarms. For vulnerable owner occupiers and tenants - allowing them to remain living independently in their own homes.

Car Park Improvements and Refurbishments - This covers a range of potential schemes, including Beehive Lane top storey surface replacement, a pay on exit scheme and work on Loughborough and District car parks.

Historic Buildings Grants (Block Sum) - The scheme is designed to promote repairs to the Borough's important historic buildings. Historic buildings include 'listed buildings', 'local list buildings' and other buildings of interest/significance within conservation areas.

Directorate of Community Wellbeing

Community Facilities Grants - The Community Facilities Grants scheme will provide a funding stream for Parish and Town Councils and properly constituted community organisations to support the renovation and improvement of community buildings.

Bus Shelter Replacement and Advertising - The scheme is to provide and install bus shelters around Loughborough that facilitate external advertising.

Town Hall Soundproofing for the Victoria Room - The venue is currently unable to make use of the Victoria Room during the evenings when there is a production in the Main Hall. This is due to noise transfer between the two spaces and, by improving the acoustics within the Victoria room and introducing sound proofing barriers, the two spaces could be used concurrently.

Directorate of Corporate Services

Financial Management System Upgrade - The Council's main financial system, Agresso, has been in operation since June 2005. Agresso no longer fully support the version we are running and only carry out minor repairs as necessary. We need to upgrade to the current version to obtain system improvements and avoid serious risks regarding the resilience of the current version.

Planned Property Refurbishment (Block Sum) - This is the budget to cover the planned refurbishment work to all the Council's operational and non-housing buildings.

Office Accommodation Strategy - Phase 4 - This scheme will allow the council to reconfigure its main Southfields office and ICT building, as well as other buildings if required, in

order to provide a suitable environment for its current and medium term staff needs. In addition, this work should also provide an amount of space that can be let to other public bodies, third sector organisations or commercial companies or some combination thereof.

Lagan (Customer Relationship Software) Rollout - This is to increase capacity so that the number of services using the contact centre and Lagan can be increased to provide savings.

Hardware Replacement (Block Sum) – This scheme is to ensure services have appropriate ICT facilities to provide value for money services. This scheme will also assess the option of introducing desktop virtualisation.

Qmatic Upgrade – This will provide an upgrade and extra resilience to the Council's customer flow and queue management software (Qmatic). The upgrade will enable our partners (Capita) to access the application.

Infrastructure Development - Block Sum - This will cover the CBC network, servers and security enhancements in support of providing effective ICT facilities.

Website Development - Block Sum – This is to support the development of online transactional services, as part of the Web Unity Group (shared service web partnership with North West Leicestershire District Council and Oadby & Wigston Borough Council).

HRA

Directorate of Housing, Planning & Regeneration and Regulatory Services

Decent Homes – This replaces components which fail to meet the Modern Facilities criteria and cause the property to be technically 'non-decent'.

Non-Traditional Refurbishment - This will carry out External Wall Insulation to provide thermal insulation to the properties to meet current regulations and make the properties sustainable for the future.

Estate Works – This scheme will carry out works to fencing and road surfaces.

Major Adaptations - This will help tenants or members of their household to live as independently as possible in their council home. It could be work such as a walk in shower, ramps or building extensions.

Minor Adaptations - This will help tenants or members of their household to live as independently as possible in their council home. Minor adaptations can be grab rails, additional stair rails, half steps or keysafes.

CNH Procurement Fees – These are the professional fees to manage, monitor and deliver all aspects of the HRA capital budget.

