

CABINET

18 JANUARY 2006

CAPITAL PROGRAMME AND BUDGET 2005/06 TO 2010/11

REPORT OF DIRECTOR OF FINANCE

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RECENT REFERENCES:

CAB1090 Financial Strategy 2006/07 to 2010/11 26 July 2005

CAB1089 Capital Strategy and Programme 2005 26 July 2005

CAB1126 Corporate Strategy and Revenue Budget 2006/09 12 October 2005

CAB1149 Corporate Strategy and Revenue Budget 2006/09 Update 16 November 2005

EXECUTIVE SUMMARY:

This report provides an overview of the capital programme for the next six years. The report includes details of the capital programme budget approved by Cabinet in July 2005 and covers changes that have been made to the programme since that report.

Capital growth bids are also included, as are details of the e-government capital programme.

The report also gives information on the Prudential Code and considers sources of funding for capital expenditure.

RECOMMENDATIONS:

That Cabinet considers the capital and e-government programmes at Appendices 1 and 2 and indicate any changes they may wish to be included in the budget recommendations to the next meeting when they consider the full budget for 2007/08.

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REPORT OF DIRECTOR OF FINANCE

1 Introduction

- 1.1 This report provides an update on the capital programme for the period from 2005/06 to 2010/11 and gives comment on any significant variations from the capital programme previously considered by Cabinet on 26 July and approved by Council on 2 November. These variations arise primarily from projects approved by Cabinet, supplementary estimates or slippage/re-profiling of existing budgets, plus the incorporation of more detailed information on funding, and are referenced in the Appendices.
- 1.2 This report follows on from the annual capital strategy approved in July and includes considerations by the officer Capital Programme and Assets Group (CPAG).
- 1.3 Where additional bids for capital funding are being prepared these are noted in the programme. Further reports will be brought to Cabinet before funds are committed.

2 Summary

- 2.1 The capital programme comprises individual schemes (such as Sussex Street Hostel), discrete programmes (such as ICT e-government) and ongoing general budget programmes (such as renovation grants).
- 2.2 Although projections for six years are included in the programme it is of necessity front loaded as identified schemes are programmed in. The Government's proposals for pooling of capital receipts took effect in April 2004 and are having an effect on the programme.
- 2.3 The capital programme is broken down into Scrutiny Panel areas for ease of reference.
- 2.4 The major area of expenditure in the capital programme is Social Issues (approximately 60% of the programme) – primarily in respect of the Council's own housing stock but also supporting the improvement of sub standard private stock and the provision of more affordable housing in the District. There are housing enablement and development proposals to assist social landlords and voluntary groups in the provision of permanent and temporary affordable housing within the Winchester District.
- 2.5 One issue already being considered is the projected shortfall of £400,000 pa on Housing repairs as identified through the Housing Options project. The HRA is expected to be the prime source of funding but capital receipts could be used to assist with financing the shortfall, albeit the revenue cost of using receipts falls on the General Fund.
- 2.6 The remaining 40% of the capital programme is spread across the other Scrutiny Panel areas although the bulk of this is in Resources.

3 Growth Bids

- 3.1 A request for capital growth considered by Cabinet in report CAB1126 at the meeting on 12 October was for the finance required for recycling bins for the roll-out of Alternative Weekly Collection. Although there is no indication that the total allowed in

the capital programme will be exceeded, the spread of costs may have to be front loaded and this is reflected in Appendix 1.

- 3.2 The City Secretary and Solicitor indicated in the budget report that there is a need for improvements to the Magdalen Hill Cemetery and this has been included as a growth bid in the programme.
- 3.3 The work on the ICT e-government programme has crystallised a number of projects and currently shows a significant requirement for funding. This will have to be found from capital receipts. The ICT detailed capital programme previously considered by Cabinet in CAB1160 is included as Appendix 2.
- 3.4 As noted in previous reports, there is no forward programme for repairs to Council owned buildings and a report on this will be brought to a future Cabinet meeting.
- 3.5 Work is required on City Offices but this is currently being assessed and is dependent, in part, upon the proposal for new office accommodation. Similarly, there is no provision within the programme for any capital costs associated with new offices: this will be assessed in time as part of that project but in the meantime a growth bid has been made for fees associated with the current.
- 3.6 There is provision in the Parking Property Repairs Reserve for a contribution of £1m towards the car parking element of the Silverhill development. However, with the current progress on that project this provision is unlikely to be called on. Given that significant expenditure on the Tower Street car park may be required in due course, this has been substituted for the Silverhill scheme in the car parks line of the capital programme.

4 Prudential Code

- 4.1 The prudential framework for local authority capital investment was introduced in the Local Government Act 2003. CIPFA has developed the *Prudential Code for Capital Finance in Local Authorities* as a professional code of practice to support local authorities in taking financial decisions. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.
- 4.2 Due regard has been given to the Prudential Code in preparing the capital programme and the financial processes of the City Council are designed to satisfy the requirements of the Code.

4 Funding

- 4.1 Various sources of funding are identified in Appendix 1. The main sources are briefly explained below.
- 4.2 *Capital Receipts.* This is the main source of funding for capital expenditure over the period of the capital programme. Under current government regulations up to 75% of capital receipts from Housing has been paid into a central pool since April 2004. There is a transitional arrangement whereby the City Council can claim back a reducing proportion of pooled receipts for the three years to 2006/07 to support the provision of affordable housing in the District. A projection of the balance of receipts is shown in report CAB1171 elsewhere on this agenda.
- 4.3 *Major Investment Reserve.* The other major source of funding for the capital programme is the reserve that has been built up from revenue headroom and underspends in recent years. This is a finite reserve and can also be called upon to support revenue expenditure. A projection of the balance on the reserve is shown in CAB1171 elsewhere on this agenda.

- 4.4 *Grants.* Where specific government grants are available application is made if appropriate. Awards have been made for lottery funding and Home Office grants for CCTV and applications have been submitted for other Government money, such as E-government grants. Mandatory renovation grants also attract a capital grant of 60%.
- 4.5 *Earmarked Reserves.* There are specific earmarked reserves available for particular elements of the programme – the Bapsy Bequest, the Car Park Property Reserve, the Operational Property Reserve, the ICT Strategy Reserve and the Land Charges Computerisation Reserve are the sources in the programme covered by this report.
- 4.6 *Revenue Contributions.* Some capital expenditure may be funded directly from revenue and this is a charge to the revenue budget in the year in which expenditure is incurred.
- 4.7 *Other Sources.* Some minor contributions are available from other sources, such as local business grants towards CCTV or contributions from local supporters towards specific projects.

5 Capital Receipts

- 5.1 The bulk of capital receipts comes from the sale of council housing properties and the availability of receipts is directly tied to the number of properties sold in any one year. These sales are currently running at approximately 20 per annum although the figure is reducing.
- 5.2 A smaller element of capital receipts comes from the sale of surplus general fund properties and land. In determining whether to sell off assets the balance between rental income supporting the revenue budgets and the capital receipts obtainable from selling assets is taken into account.
- 5.3 As noted in paragraph 4.2 above current Government rules for national pooling of capital receipts is severely restricting the City Council's ability to fund a substantial capital programme in the future.

6 Private Finance Initiative (PFI)

- 6.1 The Private Finance Initiative is used to encourage private sector investment in public sector projects. The basic criteria for PFI are value for money, open competition and an appropriate allocation of risks between the public and private sectors.
- 6.2 To date PFI funding for local government has been mainly targeted towards larger schemes or specific areas such as inner city regeneration or education. The City Council has in the past bid for PFI funding to provide for additional social housing but the bid was not successful.
- 6.3 Bidding for PFI funding is extremely time and resource consuming, would require the buying in of external expertise and resources and progressing a bid could only be achieved at the expense of other work with current resource levels. Although no PFI bids are currently under consideration further opportunities to bid for PFI funding will be kept under review.

7 Borrowing

- 7.1 The City Council repaid all long term debt in March 2002. New regulations in force from 1 April 2004 have required that a major proportion of capital receipts from the sale of housing assets be paid over to a central government pool. Transitional arrangements apply for debt free authorities which provide some small, and reducing, benefit to the Council.

- 7.2 The City Council could move back into borrowing to fund the capital programme but as it still has substantial reserves and capital receipts it is not deemed prudent to do so at present as it has a negative capital financing requirement. Borrowing as a potential source of capital financing will be kept under review.

8 Projections

- 8.1 The six year capital programme detailed in Appendix 1 is based on the programme approved by Cabinet in July 2005 and new schemes subsequently approved by Cabinet. The funding provisions have been updated with the latest information available.

OTHER CONSIDERATIONS:

9 CORPORATE STRATEGY (RELEVANCE TO):

- 9.1 Preparation of the capital budget had regard to the corporate and financial strategies. Preparation and monitoring of the capital programme is an intrinsic part of continued clear financial and resource planning within the City Council.

10 RESOURCE IMPLICATIONS:

- 10.1 As discussed in the body of the report.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Finance Department and other departments.

APPENDICES:

Appendix 1: Capital Programme 2005/06 to 2010/11

Appendix 2: E-Government Programme 2005/06 to 2009/10