

CABINET - 10 NOVEMBER 2010

SOCIAL ISSUES SCRUTINY PANEL – 11 NOVEMBER 2010

PRINCIPAL SCRUTINY COMMITTEE - 15 NOVEMBER 2010

LOCAL ECONOMY SCRUTINY PANEL – 16 NOVEMBER 2010

ENVIRONMENT SCRUTINY PANEL – 17 NOVEMBER 2010

RESOURCES SCRUTINY PANEL – 22 NOVEMBER 2010

CAPITAL PROGRAMME 2010/11 TO 2013/14 – BUDGET OPTIONS

REPORT OF HEAD OF FINANCE

CONTACT OFFICER: ALEXIS GARLICK

TEL NO: 01962 848224 (EMAIL: agarlick@winchester.gov.uk)

RECENT REFERENCES:

[CAB2056](#): Capital Strategy and Programme 2010/11 to 2013/14, 13 October 2010

EXECUTIVE SUMMARY:

Last month Cabinet considered the Capital Strategy ([CAB2056](#)) and an updated Capital Programme for the period 2010/11 – 2013/14. In that paper it was noted that there remained a number of potentially significant items where no financial provision has yet been made, and that it would be necessary to prioritise the Council's future capital requirements and to determine how these can be financed.

It was also recognised that it is essential that capital budget options are considered alongside the revenue budget options, because of the inextricable links between the capital budget and both the General Fund and the Housing Revenue Account.

The proposals contained in this paper will form the basis of budget consultation for the Capital Programme alongside the consultation on the Revenue Budget.

RECOMMENDATIONS:That Cabinet:

Confirms the initial Capital Budget options, to be considered in the context of the Winchester District Sustainable Community Strategy and the emerging Change Plans, to be the basis of budget consultation as part of its deliberation of the budget.

That Scrutiny Panels and Principal Scrutiny Committee:

Provide comments to Cabinet on:

1. the capital budget options,
2. the relative prioritisation, and
3. any other capital expenditure plans or requirements they think should be considered.

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1 Introduction

1.1 Last month Cabinet considered the Capital Strategy ([CAB2056](#)) and an updated Capital Programme for the period 2010/11 – 2013/14. In that paper it was noted that there remained a number of potentially significant items where no financial provision has yet been made, and that it would be necessary to prioritise the Council's future capital requirements and to determine how these can be financed.

1.2 It was also recognised that it is essential that capital budget options are considered alongside the revenue budget options, because of the inextricable links between the capital budget and both the General Fund and the Housing Revenue Account.

1.3 The proposals contained in this paper will form the basis of budget consultation for the Capital Programme alongside the consultation on the Revenue Budget.

1.4 Projections are provided for 4 years, including the current (base) year.

2 Capital Programme - Budget Options 2010/11 to 2013/14

2.1 The current capital programme is provided at Appendix A. This is the programme approved by Cabinet on 13 October, updated for supplementary approvals.

2.2 The budget options are provided at Appendix B. These include deletions from the current programme and capital expenditure requirements that are currently not programmed and not funded.

3 Prudential Code / Borrowing

3.1 The Council has adopted the CIPFA Prudential Code which is designed to ensure that capital investment plans of local authorities are affordable, prudent and sustainable, and due regard must be given to the Prudential Code in determining the Council's capital programme.

- 3.2 In the recently published White Paper "[Local growth: realising every place's potential](#)", the Government has confirmed its intention to introduce Tax Increment Finance (TIF) which would give new borrowing powers to Local Authorities, allowing them to factor in growth in local business rates income, when considering the affordability of borrowing. These proposals will require legislation. The idea is that this will enable additional borrowing to fund capital projects to support locally driven economic growth. As with any borrowing decisions the costs and risks of any proposals will also be key considerations.

4 Approval of Capital Schemes

- 4.1 Individual schemes within the Capital Programme each require appropriate approval by Cabinet or under the scheme of delegation involving Portfolio Holders in accordance with Financial Procedure Rules before any funds are committed.

OTHER CONSIDERATIONS:

5 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO)

- 5.1 The capital programme has been developed to support the delivery of the Council's Sustainable Community Strategy and Corporate Business Plan. The proposals here are presented here for consideration against the Council's priorities.

6 RESOURCE IMPLICATIONS

- 6.1 Funding for the existing capital programme has been identified. Historically, much of the funding has come from capital receipts, specific earmarked reserves and the Major Investment Reserve, where balances had been previously been accumulated. These balances are now depleted and the Council has a Capital Financing Requirement. Any additions to the capital programme will need to have the funding source identified. Any proposed borrowing would need to be affordable, prudent and sustainable.
- 6.2 Local Authorities can borrow from the Public Works Loan Board (PWLB). The role of the PWLB is to on-lend central government's own borrowing to local authorities to deliver capital investment, while HM Treasury is responsible for determining the methodology used to set the rates at which PWLB transacts. In tackling the fiscal deficit, the Government has indicated that it has had to make difficult choices around borrowing and capital investment. To ensure that the rate at which loans are made available to local authorities better reflects the availability of capital funding post-Spending Review and encourages optimal borrowing and investment decisions, HM Treasury has determined that:
- PWLB lending rates on new fixed rate loans should be increased to an average of 1 % above gilts.
 - the interest rate payable on new variable rate loans (loans agreed from this date onwards) will be set at, and thereafter reset, at the equivalent of an

average of 1% above the general collateral repo rate for one, three or six months, as appropriate.

This will make any future borrowing more expensive to the Council.

- 6.3 The loss of interest in respect of the Capital Programme will be reflected in the baseline revenue projections, with the revenue consequences of any capital growth to be presented as revenue growth. Any borrowing requirement would incur interest charges in addition to repayment of the principal to be repaid from the revenue account and any Minimum Revenue Provisions required by the accounting regulations. There may also be a need for Voluntary Revenue Provisions to be made.
- 6.4 It will also need to be ensured that there are sufficient internal resources to deliver the capital programme. Where this is not the case details will be included in specific reports on each project.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Governance Directorate and other teams.

White paper: "[Local growth: realising every place's potential](#)"

APPENDICES:

Appendix A: Capital Programme 2010/11 to 2013/14

Appendix B: Budget Options - Capital Programme 2010/11 to 2013/14

CAPITAL PROGRAMME 2010/11 TO 2013/14						
		2010/11	2011/12	2012/13	2013/14	TOTAL
	Funding *					
		£000	£000	£000	£000	£000
GENERAL FUND						
ACTIVE COMMUNITIES						
Affordable Housing Regeneration	CR - H	1,033	?	?	?	1,033
Affordable Hsg funded by Developers' cont'ns	EF	106	?	?	?	106
Capital Grants	MIR	139	20	-	-	159
CCTV	CR	588	-	-	-	588
Disabled Facility Grants (Mandatory)	EF / MIR	567	378	378	378	1,701
Home Improvement Grants (Discretionary)	MIR	85	-	-	-	85
Knowle Community Building	MIR	412	-	-	-	412
"Ok to Play" project	EF	73	-	-	-	73
River Park Leisure Centre - Essential Repairs	CR	183	460	-	-	643
Whiteley Community Facility	ER	50	-	-	-	50
		3,235	858	378	378	4,849
PROSPEROUS ECONOMY						
Alresford 'Putting Pedestrians First'	MIR	15	-	-	-	15
Smarter Working Centres	ER	20	-	-	-	20
Village Community Shop Grants	ER	34	-	-	-	34
		69	-	-	-	69
HIGH QUALITY ENVIRONMENT						
Car Parks	ER	220	-	-	-	220
Hockley Viaduct	MIR	20	42	42	42	146
Magdalen Hill Cemetery -Extension	MIR (Town)	-	10	30	-	40
Open Space & Recreation Facilities	EF	23	-	-	-	23
St George's Street Improvements	MIR	40	-	-	-	40
Tower Street	CR	100	-	-	-	100
Winchester High Street	ER	250	-	-	-	250
Winchester High Street	MIR	100	-	-	-	100
Winnall Moors Project	MIR	10	10	10	-	30
		763	62	82	42	949

CAPITAL PROGRAMME 2010/11 TO 2013/14						
		2010/11	2011/12	2012/13	2013/14	TOTAL
	Funding *					
		£000	£000	£000	£000	£000
<u>TRANSFORMATION & RESOURCES</u>						
Abbey House	CR	16	-	-	-	16
Abbey Mill	CR / CFR	115	575	-	-	690
Avalon House	CFR	696	-	-	-	696
Car Parking Server	MIR	160	-	-	-	160
Council Archiving and Stores (F2)	CR	6	-	-	-	6
Financial System	CR	124	-	-	-	124
Guildhall Community Facilities/Bapsy Bequest	EF	1,324	-	-	-	1,324
Guildhall Refurbishment	CFR/ER	1,645	-	-	-	1,645
Hyde	CFR	576	1,152	-	-	1,728
ICT E-govt	CR	135	-	-	-	135
ICT Equipment	CR	219	-	-	-	219
Property Acquisition & Development	CFR	2,620	1,902	-	-	4,522
Purchase of Property	CR	39	-	-	-	39
Urgent Property Works	ER	172	-	-	-	172
		7,847	3,629	-	-	11,476
Total General Fund						
		11,914	4,549	460	420	17,343
<u>HOUSING REVENUE ACCOUNT</u>						
<u>ACTIVE COMMUNITIES</u>						
Major repairs	EF	3,434	3,850	3,479	3,479	14,242
Major repairs funded by revenue	ER	700	-	-	-	700
Re-investment in stock condition	CR- H	113	1,295	?	?	1,408
Orchard Upgrade	ER	120	-	-	-	120
Sewage Treatment Works	CR - H	235	100	100	100	535
Total Housing Revenue Account		4,602	5,245	3,579	3,579	17,005
Grand Total						
		16,516	9,794	4,039	3,999	34,348

* Key - Funding

Capital Financing Requirement
Capital Receipts
Capital Receipts - Housing
Earmarked Reserves
External Funding
Major Investment Reserve
Revenue Contribution to Capital

CFR
CR
CR - H
ER
EF
MIR
RCC

CAPITAL PROGRAMME - BUDGET OPTIONS 2010/11 TO 2013/14							
	Comments	Funding	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
ACTIVE COMMUNITIES							
Affordable Housing Regeneration	Whilst no sales of family homes is anticipated for 2011/12, some disposals of HRA assets are being considered. A further report on this will be considered by Cabinet in December 2010	EF		1,000	1,000	1,000	3,000
Affordable Hsg funded by Developers' cont'ns	Large one off payment due next year. From 2013/14 revised planning policies will generate higher contributions	EF		700	200	400	1,300
Disabled Facility Grants (Mandatory)	Previous baseline DFG budget of £558k, of which £378k funded externally through Government Grant and £180k funded interally from Capital Receipts. External funding is assumed to be maintained with a reduction in internal funding to £122k to support the programme. A DFG programme is mandatory and this internal funding level is forecast to be the minimum acceptable level.	?		122	122	122	366
Capital Grants - Winchester Dramatic Society (Chesil Theatre)	Seeking grants totalling £90k over 3 years; £30k was approved in 2009/10, and £30k in 2010/11, of which 1/3rd is funded by the Winchester Town Account. None of this has yet been paid as all funding has not yet been secured and therefore work has not yet commenced. However application for the final tranche of £30k has been received. (Total project costs est. £1.15m)	MIR		30			30
North Winchester Youth & Community Action	Purchase of land to allow for the building of a facility in Weeke to provide a local community venue (Total project costs est. £1m)	?		350			350
			-	2,202	1,322	1,522	4,666
PROSPEROUS ECONOMY							
Smarter Working Centres	Potential removal of budget due to lack of short term options (CAB1815 revised per CAB1911)	ER	(20)				(20)
River Park Leisure Centre	Further major works deferred (CAB2047). Including essential, desirable, and optional environmental improvements.	?				1,819	1,819
			(20)	-	-	1,819	1,799

CAPITAL PROGRAMME - BUDGET OPTIONS 2010/11 TO 2013/14							
	Comments	Funding	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
HIGH QUALITY ENVIRONMENT							
Car Parks Major Works	Annual cost of maintaining and improving car park stock.	RCC?		178	156	172	506
St George's Street Improvements	Budget provision considered insufficient to cover the works identified, suggested removal of budget.	MIR	(40)				(40)
Winchester High Street - The Square	Contribution to HCC for major maintenance and refurbishment Scheme.	ER	150				150
Abbey Gardens Environmental Improvements	RAILINGS, GATES & RIVER WALLS and other Environmental Improvements; the iron railings fronting the boundary and providing a physical barrier to Abbey Gardens and the stream are in need of extensive restoration. Further the supporting walls to the railings which also form the river walls are also in need of repair. (CAB1559, para 2.8)	?		75	150	-	225
Wickham Toilet Works	The facilities at Wickham and Market Lane Winchester have been identified as requiring priority action within the near future due to their deteriorating condition. Note Wickham Public in particular is in need of redesign, renewal and refurbishment to make them fit for purpose.(Environment Scrutiny Panel Report EH 87 & EN 90 refers)	?			125		125
Market Lane Toilet Works		?				125	125
Hockley Viaduct	Project initially forecast at £500k over 12 years. Alternative proposal below.	MIR	(20)	(42)	(42)	(42)	(146)
Hockley Viaduct	Estimated cost of transferring viaduct ownership and future maintenance to Sustrans.	?		500			500
River Itchen Maintenance	To enable essential river bank repair works to minimise silting and flooding issues. This expenditure is considered to be important and further slippage increases the risks of River Bank collapse and hence the need to carry out repairs which will be much more expensive than the remedial works we wish to carry out.	?		40	35	100	175
Open Space & Recreation Facilities	The five year programme approved in Feb 2010 (WTF143) assumed internal funding of £50k per annum for use in areas where open spaces funding cannot be identified.	?		85	-	30	115

CAPITAL PROGRAMME - BUDGET OPTIONS 2010/11 TO 2013/14							
	Comments	Funding	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
Open Space & Recreation Facilities	The programme is currently under review due to limited Open Spaces funding and limited future forecast receipts. This option refers to the five year programme approved Feb 2010 (WTF143) which is to be revised in line with current funding	?		104	105	37	246
			90	940	529	422	1,981

CAPITAL PROGRAMME - BUDGET OPTIONS 2010/11 TO 2013/14							
	Comments	Funding	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
TRANSFORMATION & RESOURCES							
ICT Hardware/Servers	Annual replacement of hardware and servers	RCC?		60	35	35	130
Microsoft Upgrade	Essential upgrade to latest Microsoft version, current version will not be supported.	RCC?		70	70	70	210
West Wing	Essential works	?		50			50
City Offices	General building / roof works	?		150	100	100	350
Abbey House	Original projected forecast at £540k (CAB1559). The roof over the major part of the house is leaking badly. The leak has started to affect the internal finishes to the main reception room at first floor level. Provisional estimates of re-roofing and other essential repairs to keep the house at least wind and weather-tight amount to £150k. This will keep the house in use and will protect the fabric, finishes, furnishings and artefacts.	?		150			150
West Hill Cemetery Lodge	Essential works to Cemetery Lodge as detailed in CAB1919	?		26	37		63
Magdalen Hill Cemetery Lodge	Essential works to Cemetery Lodge as detailed in CAB1919	?		17	20		37
5a Jewry Street	General building works (CAB1919)	?		27	38		65
City Museum	General building repairs, internal fixtures, electrical and mechanical works (CAB1919)	?		37	40		77
Westgate Museum	Building works (CAB1919)	?			20		20
Old Chesil Rectory	Building / Electrical works (CAB1919)	?		16	22		38
Guildhall - "secret rooms"	Fitting out works to enable use as either office accommodation or meeting rooms.	?		21			21
				624	382	205	1,212
Total General Fund			70	3,766	2,233	3,968	9,658

CAPITAL PROGRAMME - BUDGET OPTIONS 2010/11 TO 2013/14							
	Comments	Funding	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
HOUSING REVENUE ACCOUNT							
ACTIVE COMMUNITIES							
Re-investment in stock condition	Whilst no sales of family homes is anticipated for 2011/12, some disposals of HRA assets are being considered. A further report on this will be considered by Cabinet in December 2010	CR- H		1,000	1,000	1,000	3,000
Sewage Treatment Works	Annual cost of maintaining and improving the City Council sewerage treatment facilities.	?		100	100	100	300
Total Housing Revenue Account			-	1,100	1,100	1,100	3,300

* Key - Funding

Capital Financing Requirement	CFR
Capital Receipts	CR
Capital Receipts - Housing	CR - H
Earmarked Reserves	ER
External Funding	EF
Major Investment Reserve	MIR
Revenue Contribution to Capital	RCC