

CABINET

9 FEBRUARY 2011

PRINCIPAL SCRUTINY COMMITTEE

14 FEBRUARY 2011

CAPITAL PROGRAMME 2010/11 TO 2013/14

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB2074](#): Capital Programme 2010/11 to 2013/14 – budget options, 10 November 2010

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

EXECUTIVE SUMMARY:

This report provides proposals for the Capital Programme for the 4 year period 2010/11 to 2013/14.

The capital strategy paper ([CAB2056](#)) highlighted to Cabinet 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.

In November a capital options paper ([CAB2074](#)) was presented to Cabinet to facilitate the prioritisation of projects. Those proposals have formed part of the budget consultation process with the final proposals reflected in this report.

A number of 'high priority' projects are proposed to be moved into the capital programme, supported by available funding. The remaining options shown in Appendix B have been prioritised subject to funding becoming available and further detailed review.

This report provides an update on the capital programme for the period 2010/11 to 2013/14.

RECOMMENDATIONS:That Cabinet:

1. approves the proposed capital programme for 2010/11 to 2013/14 (Appendix A) to be included in the Budget for consideration by Council in February and, notes the proposed financing of the programme, (also noting that 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), and
2. approves the deferral of capital projects listed at Appendix B.

That Principal Scrutiny Committee:

1. That Principal Scrutiny Committee considers any recommendations it wishes to make to the Council for its consideration of the Council's proposed capital programme.

CABINET9 FEBRUARY 2011PRINCIPAL SCRUTINY COMMITTEE14 FEBRUARY 2011CAPITAL PROGRAMME 2010/11 TO 2013/14REPORT OF HEAD OF FINANCE1 Introduction

- 1.1 Cabinet considered the Capital Strategy and Programme ([CAB2056](#)) in October 2010, and this was approved by the [Council](#) in November 2010.
- 1.2 It has been necessary to fully review the capital programme because there remained a number of potentially significant items where no financial provision had been made.
- 1.3 The officer Capital Programme & Assets Group has undertaken a detailed review of the capital programme to ensure that the programme and options reflect everything currently known to the Council and to aid with the prioritisation of the options.
- 1.4 Capital budget options were consulted on in November ([CAB2074](#)) and the results of that consultation have been considered in the preparation of these proposals.
- 1.5 It is proposed to continue to defer some projects, subject to capacity and funding becoming available and these are listed at Appendix B. These projects have been shown according to their present considered priority.
- 1.6 The proposed capital programme will continue the need for a Capital Financing Requirement, which commenced in 2009/10, and is forecast to be £13.9m in 2011/12. The revenue consequences of this are reflected in the revenue budget proposals.
- 1.7 The Asset Management Plan is under continued development and any update will inform the next review of the Capital Strategy and Programme.

2 Prudential Code

- 2.1 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. The Prudential Indicators relating to the proposed capital programme are included in the

2.2 Treasury Management Strategy report considered elsewhere on this agenda (CAB2117).

3 Proposed Capital Programme 2010/11 to 2013/14

3.1 The capital programme has been fully reviewed and updated and the proposed programme is provided at Appendix A. This amounts to a proposed programme totalling £47.187m in the 4 years from 2010/11 to 2013/14.

3.2 The proposed changes to the current programme (both increases and decreases) are highlighted in Appendix A as either growth, savings, timing, or transfer.

3.3 There remain some projects and forward programmes that are not included in the proposed capital programme because of funding constraints. These have been prioritised and are listed at Appendix B.

3.4 There are also some potential demands that are not yet quantified; primarily this relates to any projects to be identified in any further Non-Housing Property Condition Surveys, and arising from a review of the Asset Management Plan.

4 Capital Programme – Growth

General Fund

4.1 Growth now included in the proposed capital programme are explained below:

ACTIVE COMMUNITIES

- a) **Affordable Housing / Regeneration (+£3m)** – This budget is subject to the availability of usable capital receipts arising from the future disposal of HRA assets¹.
- b) **Affordable Housing funded by Developers Contributions (+£1.463m)** – This budget is subject to external funding being available from developers' contributions.
- c) **Disabled Facilities Grants (+£122K)** – Increased to what is believed to be the minimum acceptable level for 2011/12.
- d) **Push4SaferHomes (+£85k)** – This expenditure is fully funded by the lead authority Southampton City Council.

HIGH QUALITY ENVIRONMENT

- e) **Car Parks (+£496K)** – This budget is considered essential to maintain and improve current car park stock. It is proposed to be funded by a revenue contribution to capital and is thus included within the revenue budget options.

¹ The Capital Strategy stipulates that where it is assumed that capital receipts will be used to fund items care must be taken to ensure that the receipts are secured prior to the spending commitment being made.

- f) **Hockley Viaduct (£500k)** – This brings forward the amount previously approved for this scheme into one year, as opposed to being spread over 12 years, providing wider options e.g. transfer of ownership and future maintenance obligations.
- g) **Kerbside Glass Collection (+£200k)** – This expenditure is required to purchase recycling containers to enable kerbside glass collection (see CAB2122 elsewhere on this agenda).
- h) **Magdalen Hill Cemetery Extension (+£160k)** – This expenditure is required to provide additional capacity. It is recharged to the Town Account over the life of the asset, and the Town Account receives the income and the maintenance charges.
- i) **Open Space & Recreation Facilities (+£110k)** – This expenditure is funded by the open space fund and reflects the latest Playground Refurbishment programme (CAB2118).
- j) **Street Care Vehicles & Equipment (+£90k)** – This expenditure is required to support the new Environmental Services in-house arrangements.
- k) **The Square, Winchester (+£150k)** – Contribution to HCC for major maintenance and refurbishment Scheme. It is proposed to be funded from the LABGI earmarked reserve.

EFFICIENT & EFFECTIVE

- l) **Abbey House (+£50k)** – Reduced scheme of essential maintenance works. It is proposed to be funded by the property earmarked reserve through a transfer (Virement) from the 'Urgent Property Works' budget.
- m) **City Offices (+£150k)** – This budget is has been split into two parts with £150k becoming part of the capital programme for essential works to the City Offices and £200k remaining deferred subject to future decisions regarding the future of the City Offices; to be funded by capital receipts.
- n) **Guildhall 'Secret Rooms' (+£21k)** – Fitting out works to enable use as either office accommodation or meeting rooms; to be funded by capital receipts.
- o) **Guildhall staff office to changing rooms (+£50k)** – Capital works required to change the Guildhall staff office to changing rooms; to be funded by capital receipts.
- p) **ICT Equipment (+£130k)** – Annual replacement of hardware and servers. It is proposed to be funded by a revenue contribution to capital and is thus also included within the revenue budget.
- q) **Old Chesil Rectory (+£38k)** – These works are considered essential to maintain the current leasehold; to be funded by capital receipts.

- r) **Property Acquisition & Development (+£2.380m)** – A budget of £5m was set in 2010/11 of which £2.380m has been allocated to projects. It is proposed to reset this at £5m in 2011/12 to be funded by CFR, on the principal it will be used only for projects brought forward that can demonstrate value for money where the financial benefits outweigh the costs.
- s) **West Wing / City Offices Heating Works (+£50k)** – These works are considered essential to for both the West Wing and City Offices. It is proposed to be funded by the property earmarked reserve through a transfer (virement) from the 'Urgent Property Works' budget.

4.2 Low priority items now proposed to be reduced or removed from the programme are explained below:

- l) **Capital Grants (-£15k)** – release of uncommitted budget, with any future external grants to be covered by revenue funding.
- m) **Smarter Working Centres (-£20k)** - Proposed removal of budget due to lack of short term options (CAB1815 revised per CAB1911).
- n) **St. George's Street Improvements (-£40k)** - Budget provision considered insufficient to cover the works identified.

Housing Revenue Account

4.3 New items now included in the proposed capital programme are explained below:

- o) **Re-investment in stock condition (+£3m)** - This budget is subject to the availability of usable capital receipts arising from the future disposal of HRA assets¹.
- p) **Asset Management Solution (+£80k)** – (CAB2128, Para 6). To procure an Asset Management Software Solution, instead of using external consultants.

5 Funding

5.1 The financing assumptions for the proposed capital programme are provided in Appendix C.

5.2 This identifies a forecast Capital Financing Requirement (CFR) of £4.4m in 2010/11, rising to £13.9m in 2011/12. The CFR has been matched against specific assets (as identified in Appendix A). These are generally those assets for which the financial appraisal can demonstrate value for money in terms that the financial benefits outweigh the financing costs (including the Minimum Revenue Provision).

¹ The Capital Strategy stipulates that where it is assumed that capital receipts will be used to fund items care must be taken to ensure that the receipts are secured prior to the spending commitment being made.

- 5.3 The Major Investment Reserve (MIR) is the principal reserve used for supporting the Budget; both Revenue and Capital. Although any deficit in the Revenue budget would have the first call on these funds, the financial strategy supports the use of this reserve to fund the capital programme. The forecast for MIR is provided at Appendix D.
- 5.4 Appendix D also provides a forecast of the Capital Receipts Reserve, reflecting the proposed capital programme. There are currently no forecast asset sales; however an asset sales programme is currently being developed and will be reflected in a future capital programme review. Any receipts will be allocated against high priority options as they are received.
- 5.5 There are various reserves earmarked for specific purposes available to fund the relevant elements of the capital programme e.g. the Car Park Property Reserve, the ICT Strategy Reserve and most of these are predicted to be fully spent during 2010/11. This has led to a review of these reserves and how they can continue to fund these essential projects on an ongoing basis. It is proposed that a revenue contribution to capital will be made to both the Car Park Property and ICT Strategy Reserve, and these are included in the revenue budget proposals.
- 5.6 It will be necessary for any deferred capital projects (listed at Appendix B) to have the related funding/financing source identified prior to recommendation for inclusion in the capital programme.

6 Approval of Capital Schemes

- 6.1 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:

7 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO)

- 7.1 The investment of capital resources will contribute to the achievement of the Council's key objectives and priorities in the Sustainable Community Strategy and Change Plans. The proposed capital programme is presented here for consideration against these priorities.

8 RESOURCE IMPLICATIONS:

- 8.1 Financing for the various schemes within the capital programme is identified in the appendices. Historically, much of the financing has come from capital receipts, the Major Investment Reserve, and specific earmarked reserves where balances were accumulated specifically to support major projects. These balances are now depleted and the proposals result in a CFR of £13.9m in 2011/12.

- 8.2 The effect of the proposed Capital Programme on the Revenue Budget are reflected in the revenue projections considered elsewhere on this agenda, and the Prudential Indicators are included in the proposed Treasury Management Strategy (CAB2117).
- 8.3 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.

9 RISK MANAGEMENT ISSUES

- 9.1 There are various risks inherent in the delivery of the individual capital schemes the most obvious being time and cost overruns. Project management of the individual schemes is designed to ensure that these are mitigated.
- 9.2 Changes to the timing of expenditure will affect cash flow and interest income and more importantly the delivery of the benefits to be achieved from the capital expenditure. There is monthly monitoring and reporting of the capital programme.

BACKGROUND DOCUMENTS:

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

APPENDICES:

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

Appendix B: Deferred Capital Projects

Appendix C: Proposed Capital Programme Financing

Appendix D: Forecast Movement in Reserves Statement

CAPITAL PROGRAMME 2010/11 TO 2013/14							
	Growth / Saving / Timing / Transfer	Funding *	2010/11	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000	£000
GENERAL FUND							
ACTIVE COMMUNITIES							
Affordable Housing / Regeneration	Growth	CR - H	1,033	1,000	1,000	1,000	4,033
Affordable Hsg funded by Developers' contributions	Growth	EF	269	700	200	400	1,569
Capital Grants	Saving	MIR	124	20	-	-	144
CCTV		CR	588	-	-	-	588
Disabled Facility Grants (Mandatory)	Growth	EF / MIR	567	500	378	378	1,823
Home Improvement Grants (Discretionary)		MIR	85	-	-	-	85
Knowle Community Building		MIR	412	-	-	-	412
"Ok to Play" project		EF	73	-	-	-	73
Push4Safer Homes	Growth	EF	85	-	-	-	85
River Park Leisure Centre - Essential Repairs		CR	183	460	-	-	643
Whiteley Community Facility		ER	50	-	-	-	50
			3,468	2,680	1,578	1,778	9,504
PROSPEROUS ECONOMY							
Alresford 'Putting Pedestrians First'	Saving	MIR	15	-	-	-	15
Smarter Working Centres		ER	-	-	-	-	0
Village Community Shop Grants		ER	34	-	-	-	34
			49	-	-	-	49
HIGH QUALITY ENVIRONMENT							
Car Parks	Growth	ER	220	178	156	162	716
Hockley Viaduct	Growth	CR / MIR	-	500	-	-	500
Kerbside Glass Collection - Recycling Containers	Growth	MIR	-	200	-	-	200
Magdalen Hill Cemetery -Extension		MIR (Town)	-	200	-	-	200
Open Space & Recreation Facilities	Growth	EF	23	70	20	20	133
St George's Street Improvements	Saving	MIR	-	-	-	-	0
Street Care Vehicles & Equipment	Growth	MIR	-	90	-	-	90
Tower Street		CR	100	-	-	-	100
Winchester High Street		ER	250	-	-	-	250
Winchester High Street		MIR	100	-	-	-	100
The Square, Winchester	Growth	ER	150	-	-	-	150
Winnall Moors Project		MIR	10	10	10	-	30
			853	1,248	186	182	2,469
TRANSFORMATION & RESOURCES							
Abbey House	Transfer	ER	16	50	-	-	66
Abbey Mill		CR / CFR	115	575	-	-	690
Asset Management Plans	Growth	ER	-	200	200	200	600
Avalon House	Timing	CFR	-	696	-	-	696
Car Parking Server		MIR	160	-	-	-	160
City Offices	Growth	CR	-	150	-	-	150
Council Archiving and Stores (F2)		CR	6	-	-	-	6
Depot	Timing	CFR	100	1,802	-	-	1,902
Financial System		CR	124	-	-	-	124
Guildhall Community Facilities/Bapsy Bequest		EF	1,324	-	-	-	1,324
Guildhall Refurbishment		CFR/ER	1,645	-	-	-	1,645
Guildhall 'Secret Rooms'	Growth	CR	-	21	-	-	21
Guildhall staff office to changing rooms	Growth	CR	-	50	-	-	50
Hyde	Timing	CFR	200	1,528	-	-	1,728
ICT E-govt		CR	135	-	-	-	135
ICT Equipment	Growth	CR / ER	219	60	35	35	349
Old Chesil Rectory	Growth	CR	-	38	-	-	38
Property Acquisition & Development	Growth	CFR	-	5,000	-	-	5,000
Purchase of Property		CR	39	-	-	-	39
Urgent Property Works	Transfer	ER	48	-	-	-	48
West Wing / City Offices Heating Works	Transfer	ER	-	50	-	-	50
			4,131	10,220	235	235	14,821
Total General Fund							
			8,501	14,148	1,999	2,195	26,843
HOUSING REVENUE ACCOUNT							
ACTIVE COMMUNITIES							
Major repairs	Growth	EF	3,434	3,943	3,572	3,572	14,521
Major repairs funded by revenue		ER	700	-	-	-	700
Re-investment in stock condition	Growth	CR- H	113	2,295	1,000	1,000	4,408
Orchard Upgrade		ER	100	-	-	-	100
Asset Management Solution	Growth	ER	-	80	-	-	80
Sewage Treatment Works		CR - H	200	135	100	100	535
Total Housing Revenue Account			4,547	6,453	4,672	4,672	20,344
Grand Total							
			13,048	20,601	6,671	6,867	47,187

* 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
Funded by MIR then charged to the Town A/C through depreciation MIR (Town)

DEFERRED CAPITAL PROJECTS - 2010/11 TO 2013/14						
	Comments	Priority	2011/12	2012/13	2013/14	TOTAL
			£000	£000	£000	£000
ACTIVE COMMUNITIES						
Disabled Facility Grants (Mandatory)	Previous baseline DFG budget of £558k, of which £378k funded externally through Government Grant and £180k funded internally 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.	High		122	122	244
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)	Medium	350			350
			350	122	122	594
PROSPEROUS ECONOMY						
River Park Leisure Centre	Further major works deferred (CAB2047). Including essential, desirable, and optional environmental improvements.	Medium			1,819	1,819
			-	-	1,819	1,819
HIGH QUALITY ENVIRONMENT						
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)	Medium	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 Toilets in particular are in need of redesign, renewal and refurbishment to make them fit for purpose.(Environment Scrutiny Panel Report EH 87 & EN 90 refers)	Medium		125		125
Market Lane Toilet Works		Low			125	125
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.	Medium	40	35	100	175
			115	310	225	650
TRANSFORMATION & RESOURCES						
City Offices	General building / roof works	Low		100	100	200
Microsoft Upgrade	Essential upgrade to latest Microsoft version, current version will not be supported.	Medium	70	70	70	210
West Hill Cemetery Lodge	Essential works to Cemetery Lodge as detailed in CAB1919	Medium		63		63
Magdalen Hill Cemetery Lodge	Essential works to Cemetery Lodge as detailed in CAB1919	Medium		37		37
5a Jewry Street	General building works (CAB1919)	Medium		65		65
City Museum	General building repairs, internal fixtures, electrical and mechanical works (CAB1919)	Medium		77		77
Westgate Museum	Building works (CAB1919)	Low		20		20
			70	432	170	672
Total General Fund						
			535	864	2,336	3,735

CAPITAL PROGRAMME FINANCING						
		2010/11	2011/12	2012/13	2013/14	Total
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£001</u>	<u>£000</u>
General Fund						
EXTERNALLY FUNDED						
Government Grants						
Capital Grant (DFG)	CG	378	378	378	378	1,512
Total Government grants		378	378	378	378	1,512
External contributions						
Developers' contributions	DC	269	700	200	400	1,569
Bapsy Bequest	EF	710				710
Lottery - It's Ok to Play	EF	73				73
Push4Safer Homes	EF	85				85
Open Space Fund	OS	23	70	20	20	133
Total External Contributions		1,160	770	220	420	2,570
TOTAL EXTERNALLY FUNDED		1,538	1,148	598	798	4,082
Earmarked Reserves						
Car Park Property	ER	220	178	156	162	716
IT Equipment	ER	-	60	35	35	130
Bapsy Bequest Interest	ER	614				614
Property Fund	ER	203	300	200	200	903
LABGI	LABGI	484				484
Total Earmarked Reserves		1,521	538	391	397	2,847
Capital Receipts Excluding Housing	CR	1,410	1,069	-	-	2,479
Total Capital Receipts		1,410	1,069	-	-	2,479
Capital Financing Requirement		1,905	9,601	-	-	11,506
Major Investment Reserve	MIR	1,095	792	10	-	1,897
Total General Fund excluding Housing		7,469	13,148	999	1,195	22,811
Housing						
Government Grants						
Major Repairs Allowance	MRA	3,434	3,943	3,572	3,572	14,521
Capital Receipts	CR - H	200	135	100	100	535
Housing Revenue Account	HRA	800	80			880
Disposal of dwellings	CR - H	1,146	3,295	2,000	2,000	15,056
Total Housing Revenue Account		5,580	7,453	5,672	5,672	24,377
Total Financing of Capital Programme		13,048	20,601	6,671	6,867	47,187

Forecast Movement in Reserves Statement									
	Earmarked General Fund Reserves ***				Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve		Total Usable Reserves (Excl. General Fund Balance)
	Major Investment Reserve	Other Earmarked GF Reserves					Housing	General Fund**	
		Local Authority Business Growth Incentive	Property Repairs & Renewals	Other					
	£000	£000	£000	£000			£000	£000	
Balance at 31 March 2010	3,621	811	582	1,740	2,248	826	1,997	2,749	14,574
Transfer to/(from) Earmarked Reserves (Revenue)	(1,047)	(118)	(41)	(144)	(97)				(1,447)
Transfer to Earmarked Reserves (Capital)						45	1,164	200	1,409
Transfer (from) Earmarked Reserves (Capital)	(1,095)	(484)	(203)	(834)	(800)		(1,615)	(1,410)	(6,440)
Forecast Balance at 31 March 2011	1,479	209	338	762	1,351	871	1,547	1,539	8,096
Transfer to/(from) Earmarked Reserves (Revenue)	(225)		(38)	(9)	618				345
Transfer to Earmarked Reserves (Capital)							2,950		2,950
Transfer (from) Earmarked Reserves (Capital)	(792)		(300)	(238)	(80)	(278)	(4,130)	(1,069)	(6,887)
Forecast Balance at 31 March 2012	462	209	0	515	1,889	593	367	470	4,504
Transfer to/(from) Earmarked Reserves (Revenue)	144		200	215					559
Transfer to Earmarked Reserves (Capital)							2,450		2,450
Transfer (from) Earmarked Reserves (Capital)	(10)		(200)	(191)			(2,300)	-	(2,701)
Forecast Balance at 31 March 2013	596	209	0	538	1,889	593	517	470	4,812
Transfer to/(from) Earmarked Reserves (Revenue)	(187)		200	241					254
Transfer to Earmarked Reserves (Capital)	-						2,650	-	2,650
Transfer (from) Earmarked Reserves (Capital)			(200)	(197)			(2,500)		(2,897)
Forecast Balance at 31 March 2014	409	209	0	583	1,889	593	667	470	4,819

* Assumes Right to Buy net receipts of £250k retained pr annum

** Assumes no future receipts from 2011/12 onwards

*** Does not reflect any reclassification of opening reserves under IFRS