

CABINET

9 November 2011

THE OVERVIEW & SCRUTINY COMMITTEE

14 November 2011

CAPITAL PROGRAMME 2012/13 TO 2014/15 – GENERAL FUND BUDGET REQUIREMENTS

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB2212](#): CAPITAL STRATEGY AND PROGRAMME 2011/12 – 2014/15, 12 October 2011

[CAB2209](#): ASSET MANAGEMENT PLANNING, 14 September 2011

EXECUTIVE SUMMARY:

Last month Cabinet considered the Capital Strategy ([CAB2212](#)) and an updated Capital Programme for the period 2011/12 – 2014/15. 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 requirements are considered alongside the revenue budget, because of the inextricable links between the two.

The proposed reforms to housing finance will have a significant impact on the capital and revenue spending capacity of the Housing Revenue Account. These will be considered in a separate report.

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

RECOMMENDATIONS:That Cabinet:

Confirms the initial Capital Budget requirements, 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 The Overview & Scrutiny Committee:

Provide comments to Cabinet on:

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

CABINET9 November 2011THE OVERVIEW & SCRUTINY COMMITTEE14 November 2011CAPITAL PROGRAMME 2011/12 TO 2014/15 – GENERAL FUND BUDGET REQUIREMENTSREPORT OF HEAD OF FINANCE1 Introduction

- 1.1 Last month Cabinet considered the Capital Strategy ([CAB2212](#)) and an updated Capital Programme for the period 2011/12 – 2014/15. 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 requirements are considered alongside the revenue budget because of the inextricable links between the capital budget and both the General Fund and the Housing Revenue Account.
- 1.3 The proposed reforms to housing finance will have a significant impact on the capital and revenue spending capacity of the Housing Revenue Account. These will be considered in a separate report.
- 1.4 The proposals contained in this paper will form the basis of budget consultation for the Capital Programme alongside the consultation on the Revenue Budget.
- 1.5 Projections are provided for 4 years, including the current (base) year.

2 Capital Programme - Budget Requirements 2012/13 to 2014/15

- 2.1 The current capital programme is provided at Appendix A. This is the programme approved by Cabinet on 12 October, updated for supplementary approvals.
- 2.2 The capital budget requirements that are not yet included in the Capital Programme are provided at Appendix B. These also include proposed changes to the current programme as well as capital expenditure requirements that are currently not programmed and not funded. However, with the exception of one item, potential financing has been identified for all of the Projects that have been identified as a 'High Priority'.
- 2.3 The **Draft Asset Management Plan (AMP)** was considered by the Cabinet in September ([CAB2209](#)), and presented a managed programme of repairs and

maintenance. The medium term capital requirements for the period 2012/13 to 2014/15 that are set out in that report have been reflected in Appendix B. There are further requirements identified in the draft Asset Management Plan at an estimated cost of £2.2m for the 'medium' to 'long term', and future financing will need to be planned for these future requirements.

- 2.4 Although potential financing for most of the "high priority" requirements for 2012/13 to 2014/15 has been identified in Appendix B, there remains one significant item, classified as a high priority, for which funding has not been identified. This is the works required to the River Park Leisure Centre.
- 2.5 All 'AMP' capital expenditure proposals are initially matched to the 'Asset Management Plan's annual recurring capital budget within the approved Capital Programme. This budget is funded by an annual contribution from revenue which was created in the 2011/12 budget in recognition of the ongoing property spending requirements (see [CAB2125](#)).
- 2.6 **ICT capital requirements** are provided at Appendix C. The benefits to be obtained from the continuing development of the existing shared services arrangements, would result in significantly lower ICT capital expenditure requirements which could be funded from the existing useable capital receipts reserve, with the exception of the requirement to upgrade Retriever.
- 2.7 The budget for **Disabled Facility Grants** is proposed to be re-instated to £0.5m in total (£0.122m revenue, £0.378m funded by Government Grant). This is to reflect the forecast minimum total grant requirements. As a recurring annual requirement which does not add to the asset base of the Council it is proposed that the funding is identified by adding a growth requirement to the revenue budget.
- 2.8 **River Itchen Maintenance** was first identified as a capital requirement in November 2008 ([CAB1711](#)). The works have been further reviewed and are now identified as essential; further delay of this project could increase the future project costs. This project has therefore been classified as 'High Priority' to be funded by Capital Receipts.

3 Capital Receipts

- 3.1 Capital receipts are a key source of funding the capital programme. The balance on the Useable Capital Receipts Reserve at 31 March 2011 was £2,950k. In the current economic climate, forecast asset sales are low. As part of the current work on the draft Asset Management Plan, the asset sales programme is under review; the Plan proposes a review of the Council's land holdings to identify whether there are any properties which might be disposed of when the market conditions are appropriate. No presumptions have been made in the forecasts in respect of any potential capital receipts arising from this review. These will be taken into account when the proposals are known.

4 Prudential Code / Borrowing

- 4.1 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.

- 4.2 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.

5 Approval of Capital Schemes

- 5.1 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:

6 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO)

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

7 RESOURCE IMPLICATIONS

- 7.1 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 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.
- 7.2 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. This includes the consequent loss of interest on the use of the balances. Where a Capital Financing Requirement (CFR) is assumed, the Revenue consequences include: any relevant interest costs and repayment of the principal; plus any Minimum Revenue Provisions or Voluntary Revenue Provisions required by the accounting regulations and the Council's Treasury Management Strategy.
- 7.3 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.

8 RISK MANAGEMENT ISSUES

- 8.1 As not all of the identified capital requirements can currently be financed it is important that the Council's capital spending requirements are correctly prioritised in order that the Council's limited resources are used to best effect and that it is ensured that the minimum essential requirements are met.
- 8.2 Some of the financing is from borrowing or "Capital Financing Requirements" and the viability of this is reliant on the future delivery of the assumed benefits through either cost savings or increased income. All such schemes will be monitored to ensure the continued financial viability of borrowing decisions.
- 8.3 Revenue funding is increasingly being used to support the capital programme, diverting resources from the revenue budget, with the need to prioritise such capital spend against other revenue requirements.
- 8.4 The asset sales programme is under review and capital receipts have not been presumed (see para. 3.1 above). Whilst this is a prudent approach it is also a limiting factor in developing the capital spending programme.
- 8.5 The proposed reforms to housing finance will have a significant impact on the capital and revenue spending capacity of the Housing Revenue Account. Any delay in the implementation of this will directly impact on the capital spending for the HRA.

9 EQUALITIES

- 9.1 The Capital Strategy supports the Council's Change Plans which in turn support the Winchester District Sustainable Community Strategy (WDSCS). The WDSCS was subjected to an equalities impact assessment and it is expected that the Council's new integrated equality impact assessment model will be used for Change Plan projects and capital projects as they are developed.

BACKGROUND DOCUMENTS:

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

APPENDICES:

Appendix A: Capital Programme 2011/12 to 2014/15

Appendix B: Budget Requirements - Capital Programme 2012/13 to 2014/15

Appendix C: ICT Capital Requirements

CAPITAL PROGRAMME 2011/12 TO 2014/15						Reason for changes to existing programme
	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	TOTAL £000	
GENERAL FUND						
ACTIVE COMMUNITIES						
Affordable Housing / Regeneration	211	800	-	-	1,011	
Affordable Hsg funded by Developers' contributions	942	200	400	-	1,542	
Capital Grants	99	-	-	-	99	
CCTV	167	-	-	-	167	
Disabled Facility Grants (Mandatory)	604	378	378	378	1,738	
Home Improvement Grants (Discretionary)	12	-	-	-	12	
River Park Leisure Centre - Essential Repairs	498	-	-	-	498	
Whiteley Community Facility	50	-	-	-	50	
Total Active Communities	2,583	1,378	778	378	5,117	
PROSPEROUS ECONOMY						
Village Community Shop Grants	6	-	-	-	6	
Total Prosperous Economy	6	-	-	-	6	
HIGH QUALITY ENVIRONMENT						
Car Parks	106	156	162	180	604	
Hockley Viaduct	110	440	-	-	550	see report elsewhere on this agenda
Kerbside Glass Collection - Recycling Containers	-	-	200	-	200	not affordable in 2012/13
Magdalen Hill Cemetery - Extension	30	170	-	-	200	
Open Space & Recreation Facilities	70	40	35	45	190	To reflect the five year playground refurbishment plan (CAB2118).
Street Care Vehicles & Equipment	45	-	-	-	45	
Tower Street	26	-	-	-	26	
Winchester High Street Improvements - Furniture	30	-	-	-	30	
The Square, Winchester	150	-	-	-	150	
Winnall Moors Project	10	10	-	-	20	
Total High Quality Environment	577	816	397	225	2,015	
EFFICIENT & EFFECTIVE						
Abbey House	66	-	-	-	66	
Abbey Mill	104	725	-	-	829	Abbey Mill forecast spending delayed
Asset Management Plans	161	200	200	200	761	
Avalon House	696	-	-	-	696	
Car Parking Server / Pay on Foot	0	139	-	-	139	Delays in procurement
City Offices	150	-	-	-	150	
Depot	1,402	500	-	-	1,902	
Guildhall Community Facilities/Bapsy Bequest	7	-	-	-	7	
Guildhall 'Secret Rooms'	60	-	-	-	60	
Guildhall staff office to changing rooms	50	-	-	-	50	
Hyde	1,681	150	-	-	1,831	Completion now forecast in 2012/13
ICT E-govt	15	-	-	-	15	
ICT Equipment	178	60	60	60	358	
ICT Microsoft Software (CAB2188)	195	-	-	-	195	
Old Chesil Rectory	38	-	-	-	38	
Property Acquisition & Development	1,000	3,895	-	-	4,895	Slippage of money programmed for project opportunities.
Urgent Property Works	48	-	-	-	48	
West Wing / City Offices Heating Works	50	-	-	-	50	
Total Efficient & Effective	5,901	5,669	260	260	12,090	
Total General Fund	9,067	7,863	1,435	863	19,228	
HOUSING REVENUE ACCOUNT						
ACTIVE COMMUNITIES						
Major repairs	3,943	3,572	3,572	3,572	14,659	This does not yet reflect any changes to the HRA business plan as a consequence of self financing
Re-investment in stock condition	587	800	-	-	1,387	
Orchard Upgrade	64	-	-	-	64	
Asset Management Solution	80	-	-	-	80	
Sewage Treatment Works	262	100	100	100	562	
Total Housing Revenue Account	4,936	4,472	3,672	3,672	16,752	
Grand Total	14,002	12,335	5,107	4,535	35,979	

CAPITAL PROJECT REQUIREMENTS - 2012/13 TO 2014/15

	Comments	Proposed Priority	Proposed Financing	2012/13	2013/14	2014/15	TOTAL	IMPLICATIONS / RISK
				£000	£000	£000	£000	
ACTIVE COMMUNITIES								
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	?					
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	Revenue Contribution to Capital (growth bid)	122	122	122	366	The risk of not investing in this area are that the Government may reduce their contribution, additionally any grant reduction would require an Impact Assessment in line with Equality legislation.
River Park Leisure Centre	RPLC roof and its air handling, and its closure should be carefully planned for in view of the Olympics.	High	currently unfunded	950			950	
	Further major works deferred (CAB2047). Including essential, desirable, and optional environmental improvements.	Medium	?		3,250		3,250	
Total Active Communities				1,072	3,372	122	4,566	
PROSPEROUS ECONOMY								
							-	
Total Prosperous Economy				-	-	-	0	
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 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.	High	Capital Receipts	40	35	100	175	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 being proposed.
Total High Quality Environment				240	310	100	650	
EFFICIENT & EFFECTIVE								
ASSET MANAGEMENT PLAN (CAB2209)								
Bridge Fencing	Chesil footpath Pedestrian Bridge fencing	High	Winchester Town Account	15			15	
Winchester Town Access Plan delivery	Traffic management/ public realm improvements	Medium	?		150		150	

CAPITAL PROJECT REQUIREMENTS - 2012/13 TO 2014/15

	Comments	Proposed Priority	Proposed Financing	2012/13	2013/14	2014/15	TOTAL	IMPLICATIONS / RISK
				£000	£000	£000	£000	
City Offices & Annexe	Replace heating pipe works & control, Windows, Roof Repairs, WC Refurbishment, Lift refurbishment, Lighting replacement, Insulation in walls.	High	Asset Management Plan - Revenue Budget	182	70	170	422	
City Offices & Annexe	Replace roof covering/install mansard with full insulation	Medium	?			350	350	
2 - 3 Bridge Street	Essential Works	Medium	?			100	100	
Changing Pavilions	KGV 1 & 2, & North Walls	High	Winchester Town Account / Open Spaces	57	51	54	162	
Abbey House	Thermal Upgrading	High	Asset Management Plan - Revenue Budget	21			21	
Archaeology Store	Provide replacement accommodation	Medium	Capital Financing requirement / borrowing	600			600	
Hockley Viaduct	The draft Asset Management Plan indicates further potential spending requirements for the Hockley Viaduct in addition to that already included in the capital programme at Appendix A.	Medium	external funding?		530		530	CAB2241 (elsewhere on this agenda) provides an update on this project.
West Wing	Refurbish Lift	High	Asset Management Plan - Revenue Budget		20		20	
Guildhall	Refurbish Ground Floor Toilets & Original Lift	High	Capital Receipts	50			50	
IT ASSET PLAN (Based on shared infrastructure)								
Hardware:								
	Networks	High	Capital Receipts	95	20		115	
	HSPN2	High	Capital Receipts	35			35	
	UPS	High	Capital Receipts		22		22	
	Telephony	High	Capital Receipts		10	5	15	
Software:								
	OpenText (Retriever)	Medium	?	130			130	
	IDOX (Uniform)	High	Capital Receipts		15		15	
	Citrix (Thin Client)	High	Capital Receipts	8	8	6	22	
	GCSX (Gov Connect)	High	Capital Receipts		25	10	35	
Total Efficient & Effective				1,193	921	695	2,809	
Total General Fund				2,505	4,603	917	8,025	

ICT CAPITAL REQUIRMENTS

1. As part of the Shared IT Service strategy it is necessary to recognise where investment needs to be made to ensure the supportability and sustainability of the current ICT Service can be made to improve the service and enable the business to meet its goals and objectives.
2. The current Winchester City Council (WCC) infrastructure requires constant investments to be made in order to maintain a fit for purpose data processing and application delivery service to the business users. IT 'Good Practice' denotes that core assets used to maintain services are supported by warranties to ensure high availability and high performance. Also Capital asset replacement\refresh plans and strategies are in place to ensure the asset remains 'fit for purpose' throughout its lifecycle and all relevant Total Costs of Ownership are accounted for.
3. Currently the WCC IT asset replacement\refresh strategy for desk top devices is based on a 4 x year lifecycle. For core IT Infrastructure (example: Servers, Network Switches and SAN (Storage Area Networks) is 5 x years. These lifecycle timescales are based upon best practice recommendations from both manufacturers and industry standards.
4. Economic pressures and budget constraints will look to stretch these lifecycles to gain a financial advantage yet will significantly risk to system performance and network availability.
5. Shared IT Service presents the option of consolidating Data Centres and de-duplicating Systems and Infrastructure which in turn will support centralised support requiring less support overheads to support. In addition to the internal support savings 3rd party support contracts can be significantly reduced and huge power savings realised to contribute to the Councils' 'Green' initiatives.

Shared IT Infrastructure – CAPTIAL REQUIRMENTS

	WCC CapEx Pressure (5Yr)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Networks	£95,000	£20,000	£0	£0	£0
Desktop	£60,000	£60,000	£60,000	£60,000	£60,000
HPSN2	£35,000	£0	£0	£0	£0
UPS	£0	£22,000	£0	£0	£0
Telephony	£0	£10,000	£5,000	£0	£0
OpenText (Retriever)	£130,000				
IDOX (Uniform)		£15,000			
Citrix (Thin Client)	£8,000	£8,000	£6,000		
GCSX (Gov Connect)		£25,000	£10,000		
Totals:	£328,000	£160,000	£81,000	£60,000	£60,000

NETWORKS

Networks are specific to location therefore physical network equipment cannot be shared but can be aligned by technology and manufacturer to reduce the support cost and overheads.

DESKTOP

Desktops are specific to location therefore physical Desktop equipment cannot be shared but can be aligned by technology and manufacturer to reduce the support cost and overheads.

UPS – (UNINTERRUPTABLE POWER SUPPLY)

The UPS is specific to location therefore physical UPS equipment cannot be shared but can be aligned by technology and manufacturer to reduce support cost. Also the UPS when refreshed can be replaced at a lower capacity as the infrastructure it needs to support will be greatly reduced.

HPSN2 (HAMPSHIRE PUBLIC SERVICES NETWORK 2)

The wider Network requirement between sites requires high performance and needs to give good performance to the end user on any site at least equivalent to that of the current local delivery. Therefore to ensure that the user experience is maintained and it is necessary to upgrade the current 100 Mbits connection to 1000 Mbits capacity. This will be a one off cost and a small increase to the ongoing rental revenue cost.

TELEPHONY AND VOICE RECORDING

Both TVBC and WCC have telephony systems that are becoming not fit for purpose due the age of the systems. With shared services it is possible to procure a single telephony system that will support both the requirements of TVBC and WCC. This would include a like for like switch (PBX) at both sites that will act as an independent telephony exchange but with the added advantage to act as a failover for the other site. Therefore can be set up as independent systems that allow for failover recovery systems should one site become unserviceable.

This would mean that WCC would not have to invest in a telephony system but could benefit from the investment made by TVBC and yet retain its independence should the partnership dissolve by transferring an asset at market value.