

CABINET

4 December 2013

THE OVERVIEW AND SCRUTINY COMMITTEE

9 December 2013

CAPITAL PROGRAMME BUDGET CONSIDERATIONS

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

- CAB2454: Budget and Council Tax 2013/14, 13 February 2013
- CAB2502: Financial Strategy 2014/15 – 2018/19, 11 September 2013
- CAB2510: Capital Strategy 2013, 11 September 2013
- CAB2503: Second refresh of the Winchester District Sustainable Community Strategy 2010 – 2020, 11 September 2013
- CAB2523: General Fund Budget Consultation 2014/15, 23 October 2013

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update on the General Fund Revenue consequences of the Council's Capital Programme, in preparation for the budget to be set for 2014/15. It should be read alongside CAB2533, Winchester District Community Strategy 2013 – Adoption, elsewhere on the agenda. The Housing Capital Programme is being considered separately by Cabinet (Housing) Committee as it is intrinsic to the Housing Business Plan (CAB2535 refers). At this stage, it is not possible to assess the financial impact of potential pipeline projects that are not yet in the capital programme (for example proposed options for the future of the River park Leisure Centre). They will need to be fully assessed in due course.

RECOMMENDATIONS:

That the Cabinet :

1. Notes the forecast General Fund Revenue implications of the Capital Programme and whether any changes are required to be considered as part of the deliberation of the budget.

That The Overview & Scrutiny Committee:

1. Considers any proposals it wishes to make to the Cabinet on the Capital Programme and revenue implications.

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1 Introduction

- 1.1 The Capital Strategy and the Financial Strategy were considered by Cabinet in September, and a report on the General Fund Revenue Budget consultation was issued in October. The purpose of this report is to show how the existing capital programme is expected to impact on the Revenue forecasts.
- 1.2 The Council has ambitious plans for capital spending to support its priority outcomes but will rely increasingly on borrowing to enable these plans. At the same time the Council is facing cuts in its Government support, making it essential that the timing of spending to achieve future benefits is carefully managed.

2 Prudential Code / Borrowing

- 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.

3 Capital Programme

- 3.1 The current Capital Programme is provided at Appendix C. The Capital Strategy identifies that there will be further capital spending requirements which are not yet in the programme. These will need to be brought forward and prioritised in due course and financing identified, taking into account compliance with the Council's Treasury Management Strategy and Prudential Indicators and risk appetite.

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. In the case of all proposed schemes costing in excess of £100,000 a full financial appraisal is required.

5 Capital Receipts

- 5.1 Capital receipts are a key source of funding the capital programme. The balance on the Useable Capital Receipts Reserve at 31 March 2013 was £2,438k. In the current economic climate, forecast asset sales are low.

6 Revenue consequences of the capital programme

- 6.1 Appendix A provides a summary of the forecast revenue consequences of the current Capital Programme. For those schemes that have not yet been approved in accordance with Financial Procedure Rule 6.4 broad assumptions have been made that they will seek to achieve a neutral revenue position as a minimum.

OTHER CONSIDERATIONS:

7 SUSTAINABLE COMMUNITY STRATEGY & CHANGE PLANS (RELEVANCE TO):

- 7.1 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.

8 RESOURCE IMPLICATIONS:

- 8.1 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.
- 8.2 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 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.
- 9.2 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.
- 9.3 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.

- 9.4 The asset sales programme is under review and capital receipts have not been presumed. Whilst this is a prudent approach it is also a limiting factor in developing the capital spending programme.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: General Fund Revenue implications of capital programme

Appendix B: Capital Programme Balance Sheet classifications

Appendix C: Capital Programme - General Fund

| REVENUE CONSEQUENCES OF CAPITAL PROGRAMME 2013/14 TO 2018/19 | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|
| GENERAL FUND | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | whole life |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| APPROVED | | | | | | | |
| Income | - | - | - | - | - | - | - |
| Expenditure | 20 | (14) | (14) | (14) | (14) | (12) | (330) |
| Net Cost of services | 20 | (14) | (14) | (14) | (14) | (12) | (330) |
| Financing & Investment Income & Expenditure | | | | | | | |
| Rental Income | - | (528) | (619) | (619) | (619) | (619) | (15,035) |
| Interest payments | 28 | 107 | 208 | 181 | 177 | 174 | 3,847 |
| (Surplus)/ deficit on Provision of Services | 48 | (435) | (426) | (453) | (457) | (458) | (11,518) |
| Adjustments between accounting basis and funding basis under regulations | | | | | | | |
| Statutory contributions (Minimum Revenue Provision) | 0 | 254 | (35) | 188 | 188 | 188 | 6,007 |
| Revenue Contribution to Capital | 73 | 591 | 32 | 32 | 32 | 32 | 1,359 |
| Net effect | 121 | 409 | (428) | (233) | (237) | (238) | (4,152) |
| GENERAL FUND | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | whole life |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| NOT YET APPROVED | | | | | | | |
| Income | - | - | - | - | - | - | - |
| Expenditure | - | 276 | 6 | 6 | 6 | 6 | 420 |
| Net Cost of services | 0 | 276 | 6 | 6 | 6 | 6 | 420 |
| Financing & Investment Income & Expenditure | | | | | | | |
| Rental Income | - | - | (770) | (770) | (770) | (770) | (19,250) |
| Interest payments | - | 92 | 505 | 493 | 481 | 468 | 6,842 |
| (Surplus)/ deficit on Provision of Services | - | 368 | (259) | (271) | (283) | (296) | (11,988) |
| Adjustments between accounting basis and funding basis under regulations | | | | | | | |
| Statutory contributions (Minimum Revenue Provision) | 0 | 12 | 471 | 471 | 471 | 471 | 11,777 |
| Revenue Contribution to Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net effect | 0 | 380 | 212 | 200 | 188 | 175 | (211) |
| Major Investment Reserve - indicative forecasts | | | | | | | |
| Closing Balance (per CAB2502 updated for CAB2523) | (3,590) | (1,077) | (1,106) | (1,181) | (1,281) | (1,216) | |
| Adjusted for effect of Approved schemes | (3,469) | (547) | (1,004) | (1,312) | (1,648) | (1,821) | |
| Adjusted for effect of All schemes in capital programme | (3,469) | (167) | (412) | (519) | (668) | (666) | |

| CAPITAL PROGRAMME 2013/14 TO 2018/19 | | | | | | | | | | | | | | |
|--|----------------|---------------|------------|------------|------------|------------|---------------|------------------------|--------------------|--------------------------|------------------|-----------------------|---------------|---------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | TOTAL | | | | | | | |
| | Working Budget | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | External Contributions | Earmarked Reserves | Major Investment Reserve | Capital Receipts | Revenue Contributions | UNFINANCED | Total funding |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| GENERAL FUND | | | | | | | | | | | | | | |
| CAPITAL EXPENDITURE APPROVED UNDER FINANCIAL PROCEDURE RULE 6.4 | | | | | | | | | | | | | | |
| ASSET MANAGEMENT PLAN | | | | | | | | | | | | | | |
| INVESTMENT PROPERTY | 3,668 | 3,411 | - | - | - | - | 7,079 | 0 | 0 | 2,623 | 0 | 559 | 3,897 | 7,079 |
| PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | | | | | |
| - LAND AND BUILDINGS | 935 | 75 | - | - | - | - | 1,010 | 225 | 341 | 16 | 298 | 0 | 130 | 1,010 |
| - PLANT, VEHICLES AND EQUIPMENT | 420 | 330 | - | - | - | - | 750 | 185 | 510 | 30 | 0 | 25 | 0 | 750 |
| - SURPLUS ASSETS | 5,000 | - | - | - | - | - | 5,000 | 0 | 0 | 0 | 0 | 0 | 5,000 | 5,000 |
| INTANGIBLE ASSETS | 87 | 11 | - | - | - | - | 98 | 0 | 0 | 98 | 0 | 0 | 0 | 98 |
| REVENUE FUNDED FROM CAPITAL UNDER STATUTE | 166 | 46 | 46 | - | - | - | 259 | 0 | 0 | 259 | 0 | 0 | 0 | 259 |
| TOTAL APPROVED CAPITAL EXPENDITURE | 10,276 | 3,873 | 46 | - | - | - | 14,196 | 410 | 851 | 3,026 | 298 | 584 | 9,027 | 14,196 |
| CAPITAL PROGRAMME - NOT YET APPROVED FOR SPENDING | | | | | | | | | | | | | | |
| ASSET MANAGEMENT PLAN | | | | | | | | | | | | | | |
| INVESTMENT PROPERTY | 2,487 | 14,175 | - | - | - | - | 16,662 | 0 | 250 | 0 | 36 | 0 | 16,376 | 16,662 |
| PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | | | | | |
| - LAND AND BUILDINGS | 2,175 | 3,520 | 200 | - | - | - | 5,895 | 50 | 906 | 135 | 257 | 0 | 4,547 | 5,895 |
| - PLANT, VEHICLES AND EQUIPMENT | 341 | 145 | 207 | 245 | 267 | 200 | 1,405 | 0 | 1,228 | 117 | 60 | 0 | 0 | 1,405 |
| - SURPLUS ASSETS | - | - | - | - | - | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INTANGIBLE ASSETS | 100 | 226 | - | - | - | 165 | 491 | 0 | 0 | 346 | 145 | 0 | 0 | 491 |
| REVENUE FUNDED FROM CAPITAL UNDER STATUTE | 943 | 525 | 525 | 525 | 500 | 500 | 3,518 | 0 | 2,686 | 100 | 732 | 0 | 0 | 3,518 |
| TOTAL NOT YET APPROVED FOR SPENDING | 6,046 | 18,591 | 932 | 770 | 767 | 865 | 27,971 | 50 | 5,070 | 698 | 1,230 | 0 | 20,923 | 27,971 |
| TOTAL GENERAL FUND CAPITAL BUDGET | 16,322 | 22,464 | 978 | 770 | 767 | 865 | 42,167 | 460 | 5,921 | 3,724 | 1,528 | 584 | 29,950 | 42,167 |

| CAPITAL PROGRAMME 2013/14 TO 2018/19 | | | | | | | | |
|---|----------------|--------------|------------|------------|------------|------------|--------------|----------------------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | TOTAL | Approved |
| | Working Budget | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | in accordance with FPR 6.4 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| GENERAL FUND | | | | | | | | |
| ACTIVE COMMUNITIES | | | | | | | | |
| Capital Grants - Chesil theatre | 60 | - | - | - | - | - | 60 | 60 |
| Changing Pavilions (Town A/C) | 457 | - | - | - | - | - | 457 | 457 |
| Disabled Facility Grants | 768 | 500 | 500 | 500 | 500 | 500 | 3,268 | |
| River Park Leisure Centre - Essential Repairs | 950 | 3,250 | - | - | - | - | 4,200 | 630 |
| Jubilee Event Space | 20 | - | - | - | - | - | 20 | |
| Total Active Communities | 2,255 | 3,750 | 500 | 500 | 500 | 500 | 8,005 | 1,147 |
| PROSPEROUS ECONOMY | | | | | | | | |
| Enterprise Centre managed workspace | 1,000 | 5,000 | - | - | - | - | 6,000 | 624 |
| Winchester Cathedral Roof | 25 | 25 | 25 | 25 | - | - | 100 | |
| Total Prosperous Economy | 1,025 | 5,025 | 25 | 25 | - | - | 6,100 | 624 |
| HIGH QUALITY ENVIRONMENT | | | | | | | | |
| Car Parks | 254 | 120 | 180 | 180 | 180 | 180 | 1,094 | 345 |
| Footway Lighting at North Walls (Town A/C) | 24 | - | - | | | | 24 | 40 |
| Great Minster Street | 60 | - | - | | | | 60 | |
| High Speed Broadband for Hampshire | 46 | 46 | 46 | 0 | | | 139 | |
| Hockley Viaduct | 41 | - | - | | | | 41 | 960 |
| Magdalen Hill Cemetery - Extension | 135 | - | - | | | | 135 | |
| Market Lane Toilet Works | 45 | - | - | | | | 45 | |
| Wickham Toilet Works | 50 | - | - | | | | 50 | |
| Open Space & Recreation Facilities | 171 | 330 | - | - | | | 501 | 400 |
| River Itchen Maintenance | 100 | 75 | - | | | | 175 | |
| Street Care Jetting Machine | 25 | | | | | | 25 | |
| Wet Shelter | | 50 | - | | | | 50 | |
| | 951 | 621 | 226 | 180 | 180 | 180 | 2,339 | 1,745 |

| CAPITAL PROGRAMME 2013/14 TO 2018/19 | | | | | | | | |
|---|----------------|---------------|------------|------------|------------|------------|---------------|----------------------------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | TOTAL | Approved |
| | Working Budget | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | in accordance with FPR 6.4 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| EFFICIENT & EFFECTIVE | | | | | | | | |
| ASSET MANAGEMENT | | | | | | | | |
| Abbey Gardens - environmental improvements | 75 | 150 | - | | | | 225 | |
| Abbey House | 84 | - | - | | | | 84 | |
| Abbey Mill | 995 | - | - | | | | 995 | 995 |
| Abbey Mill - Tenants costs | - | - | | | | | 0 | |
| Abbey Mill - hydro | 75 | 75 | | | | | 150 | |
| Archaeological Storage Facility | 600 | - | - | | | | 600 | |
| Asset Management Plans | 64 | - | 30 | - | | | 94 | |
| Avalon House | 750 | 491 | - | | | | 1,241 | 1,241 |
| Avalon House fit out | | 559 | | | | | 559 | 559 |
| 2-3 Bridge St | - | 100 | - | | | | 100 | |
| CarFax | 262 | 2,361 | - | - | | | 2,623 | 2,623 |
| City Offices & Annexe Works | 332 | 70 | 170 | - | | | 572 | |
| Depot | 1,037 | - | - | | | | 1,037 | 2,001 |
| Guildhall staff office to changing rooms | 5 | - | - | | | | 5 | |
| Guildhall Toilets | 67 | - | - | | | | 67 | |
| Old Chesil Rectory | 36 | - | - | | | | 36 | |
| Property Acquisition & Development | - | 4,000 | - | | | | 4,000 | |
| Silver Hill associated development | 2,000 | 5,000 | - | | | | 7,000 | |
| Silver Hill property acquisitions | 5,000 | | | | | | 5,000 | |
| West Wing Lift | 20 | - | - | | | | 20 | |
| West Wing / City Offices Heating Works | 1 | - | - | | | | 1 | |
| Winchester Town Access Plan | 150 | - | | | | | 150 | |
| Total AMP | 11,553 | 12,806 | 200 | - | - | - | 24,559 | 7,419 |
| IMT ASSET MANAGEMENT | | | | | | | | |
| ICT E-govt | 15 | - | - | | | | 15 | |
| ICT Equipment | 106 | 20 | 20 | 20 | 20 | 20 | 206 | |
| ICT EDRMS | 87 | 11 | - | | | | 98 | |
| ICT Hardware | 106 | 5 | - | | | | 111 | |
| ICT Infrastructure | 109 | - | 7 | 45 | 67 | | 228 | |
| ICT Software | 85 | 226 | - | | | 165 | 476 | |
| ICT Telephony | 30 | - | - | | | | 30 | |
| Total IMT | 538 | 262 | 27 | 65 | 87 | 185 | 1,164 | - |
| Total General Fund | 16,322 | 22,464 | 978 | 770 | 767 | 865 | 42,167 | 10,935 |