

SCRUTINY COMMISSION – 30 JANUARY 2012

RE: CAPITAL PROGRAMME 2011/2012 TO 2014/15

1.0 PURPOSE OF REPORT

1.1 To consider the Capital Programme for the years 2011/12 to 2014/15.

2.0 RECOMMENDATIONS

- Members consider the programme that will be presented to Council for approval.

2.1 Note the financial implications contained in section 7.

3.0 BACKGROUND

3.1 Projects in the programme have been submitted by Project Officers and reflect outcomes from the Officers Capital Forum Group, SLB and changes after the report being presented to Executive Briefing on the 10th November 2011 and Finance and Performance Committee on the 12th December 2011. Council agreed to the depot relocation project on the 20th December 2011. This scheme has also been included.

3.2 Members will be aware of the issues surrounding future capital funding in particular the drawdown on the current capital receipts reserve as highlighted in section 4 below. The pressure on future funding of the capital programme and the depletion of reserves has previously been raised with members and were reported to Council in February 2011.

3.3 The attached programme Appendix A assumes a virtual standstill position on schemes for future years.

3.4 Projects have been reprofiled in line with the latest spending and external funding forecasts. The major change being the reprofiling of the Richmond Park Project as a result of funding approval delays with the Football Association (FA).

3.5 Within the current financial year there may be an underspend on Private Sector Housing on minor and major works of around £180,000. Due to changes in the referral system the amount of approvals have reduced. There may however be a backlog that would need to be covered by this underspend. Additionally, the Disabled Facilities Grant budget will, in the future, no longer be supported through decent homes funding. This means that the level of expenditure will need to reduce to £295,000. Because of these uncertain compensating pressures, the potential underspend of around £180,000 has not been built into the funding assumptions below.

4.0 Programme to 2014-15 – Funding Issues

4.1 Due to major schemes now being completed the programme will be relatively small in future years. However, due to reduced funding even a status quo programme will have an impact on the council's general fund revenue account.

The estimated cost of borrowing will be £13,323 in financial year 2012/13 rising to £100,039 by 2014/15. This assumption is based on a major use of the capital receipts reserve, estimated receipts from right to buy sales and disposal of other small plots. At the end of 2014/15 only £192,000 will be left in the capital receipts reserve. The position is summarised below:-

Table 1

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--------------|---------|---------|---------|---------|
| Opening Bal | (1260) | (1227) | (178) | (48) |
| Receipts | (1484) | (520) | (274) | (144) |
| Funding used | 1517 | 1,569 | 404 | 0 |
| CI (Bal) | (1227) | (178) | (48) | (192) |

5.0 New Bids

- 5.1 The following new bids were received by SLB. Following a review they were not accepted.

General Fund Bids Not Supported By SLB/Executive

Recycling Receptacles - An annual uplift of £5,000 plus inflation to allow for new properties. Negotiations are currently taking place whether these additional bins can be funded either directly through voluntary contributions from developers or through the Community Infrastructure Levy (CIL). It is likely that the final CIL agreement will not be in place for another 18 months. Any shortfall in the short term could be met from the Waste Management Reserve.

CCTV - SLB received a report regarding options on the delivery of CCTV in the future. This bid reflects the need to update the current technology. Although the cost is estimated at £60,000 with an estimated asset life of 10 years, there would be potential revenue savings of £13,000 per annum. This can be compared against the additional cost of borrowing of £8,700. Further options on CCTV are currently being explored. The future financial impact will be known once these options have been finalised.

HRA Bid Supported by SLB/ Executive

Orchard Upgrade - A bid has been received to upgrade the current Housing Management and Rents system. Technical support for the old system will cease in December 2012. The new system will be web based and will allow customers to check their rent accounts, report repairs etc. The estimated cost is £111,286. Based on a ten year asset life the cost of borrowing chargeable to the HRA would be £16,136.

Additionally, the Council will, under the new self financing system, need to borrow £67.2m to fund the HRA subsidy buy out. This amount has been included within the attached programme. The borrowing impact on the revenue account has been included within the future HRA budgets.

Leisure Centre

An amount of £10m (commencing in 2014/15) has been estimated for the development of a new leisure facility. A refurbishment option could potentially

cost around £6.5m. It should be recognised that this option is higher risk than a new build scheme in terms of cost certainty. Furthermore, the asset life for a new centre would be c40 years and the life of a refurbishment would be c25 years. Either option would be funded from future major capital receipts, (£2.75m from the Bus Station development, £1.5m from the sale of the existing leisure centre site, £3m from the Argents Mead development and a net £0.6m receipt from the depot relocation). This would leave a balance £2.24m to fund from other sources. It is possible that an external financial contribution towards this project might be achieved. This project has currently not been built into the capital programme.

6.0 HRA Capital

The future year's housing repairs capital programme shows a reduction of approximately £470k. This assumes the total contract value reduction from £2.4m to £1.9m is all attributable to capital schemes. It is difficult to accurately forecast future costs as the service was recently brought in house. However savings on the current programme budget will be made. As a one off the cost of the Orchard upgrade could be met from the proposed capital underspend.

7.0 Financial Implications (IB)

7.1 Capital resourcing and borrowing implications arising from this report will be reflected within the Medium Term Financial Strategy and the Prudential Code (Treasury Management) report.

Based on the current economic climate there has been a significant reduction in anticipated capital receipts.

7.2 If members agree to adopt the scenario in section 4.1 above, this assumes £938k of capital receipts between 2012/13 and 2014/15. This would still mean gross borrowing of £2.671m between 2012/13 to 2014/15 with a borrowing chargeable to general fund rising by £100,039 in 2014/15 on the basis any borrowing related to the depot relocation has been paid of by March 2015. If this is not the case an additional £82,000 would be chargeable.

7.3 Future funding requirements could reduce by c£180k if savings on General Fund Housing are achieved and there were no other compensating pressures.

7.4 Members will have to decide on the option of recommending reductions on future uncommitted schemes.

New Bids

7.5 There is an additional risk with the leisure centre development. The current leisure management contract ends in April 2014. If by then development arrangements are not made there could be significant revenue costs to let a contract on a short/medium term basis.

Additionally, if future major receipts are not realised there will be a risk to the leisure centre development. It is recommended that members agree the Leisure Centre Development request to be put forward to Council for approval on the basis that the following sales are earmarked for the development.

£2.75m - Bus Station Redevelopment,
 £1.5m- Future sale the Leisure Centre,
 £3m - Argents Mead Development
 £0.6m – Net receipt from the Depot Relocation

8.0 Legal Implications (AB)

8.1 None arising directly from the report.

9.0 Corporate Plan Implications

9.1 The report provides a refresh of the Council's rolling Capital Programme. Any item included in the programme has to contribute to the achievement of the Council's vision, as set out in the Corporate Performance Plan.

10.0 Consultation

10.1 Expenditure proposals contained within this report have been submitted after officer consultation. Appropriate consultation with relevant stakeholders takes place before commencement of individual projects.

11.0 Risk Management

11.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

11.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

| Management of Significant (Net Red) Risks | | |
|---|---|--|
| Risk Description | Mitigating actions | Owner |
| If the schemes were not implemented this would impact on Service Delivery. It would also mean an inability to meet corporate plan objectives and have an impact on the reputation of the Council. | Projects are to be managed through an officer capital forum group and reported to SLB on a quarterly basis. Monthly financial monitoring statements are provided to project officers and the programme will now be reviewed twice a year. | Individual Project Officers/ Capital Forum |
| The risk of external funding not being granted. This would result in additional borrowing costs in the short term if funding is delayed or long term if funding is withdrawn. | Six monthly review of capital programme would mean that it is easier to switch resources. | Project Officer / Accountancy section |
| Risk of Capital Receipts not being realised. | The Executive approve the disposal of surplus assets as recommended by the Asset Management Strategy Group | Estates and Asset Manager / Deputy Chief Executive (Corporate Direction) |

12.0 Knowing Your Community – Equality and Rural Implications

12.1 The programme contains schemes which will assist in equality and rural development. Equality and rural issues are considered separately for each project.

13.0 Corporate Implications

13.1 The Council has an agreed corporate approach to project management. This approach has been developed in collaboration with the Leicestershire and Rutland Improvement Partnership. This approach ensures that a consistent and coherent approach is applied across the Council (and across the county).

13.2 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background Papers: Capital Estimates 11/12 – 14/15

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