

**PROPOSED CAPITAL PROGRAMME FOR 2013/14 – 2015/16**

**EXECUTIVE MEMBER:** Councillor Gillian Troughton  
**LEAD OFFICER:** Darienne Law, Head of Corporate Resources  
**REPORT AUTHOR:** Leanne Barwise, Senior Accounting Officer

**WHY HAS THIS REPORT COME TO THE EXECUTIVE?**

This report presents the proposed Capital Programme for 2013/14-2015/16 and details how the programme will be funded. This includes details of new Capital project outlines developed for inclusion in the Capital Programme 2013/14-2015/16 and the existing Capital Programme of those projects approved in principal for 2013/14 and 2015/16.

The report was previously presented to Executive on 9<sup>th</sup> January 2013 as part of the statutory budget consultation which concluded on 7<sup>th</sup> February 2013. It has come to this Executive meeting for recommendation to Council on 21<sup>st</sup> February 2013, where the Capital Programme 2013/14-2015/16 will be formally approved.

**RECOMMENDATION:**

- (i) Executive are asked to recommend to Council the existing project outlines detailed in paragraph 2. These projects were presented and approved in principal by Council in February 2012 for inclusion in the Capital Programme 2013/14 and subject to the changes detailed in paragraph 2, are still required.
- (ii) Executive are asked to recommend to Council the new project outlines as detailed in paragraph 3 for the inclusion in the draft Capital Programme 2013/14.
- (iii) Executive are asked to recommend to Council the proposed draft Capital Programme for 2013/14 to 2015/16, which can be funded from Useable Capital Receipts Reserve utilising the VAT Share receipts (as approved at Council on 22<sup>nd</sup> January 2013) and assuming current forecast capital receipts are realised in the three year period, see paragraph 5.4.
- (iv) Executive receive and agree the final project outlines for approval prior to spend on the relevant project.

**1 INTRODUCTION**

- 1.1 Effective asset management planning is a crucial corporate activity to ensure we meet our corporate and service aims, and deliver our core services. This is evidently even more important with the large cuts in Government funding that we are currently facing as an Authority.

- 1.2 This paper details the draft Capital Project Outlines developed, for inclusion in the Capital Programme for 2013/14 and beyond, as well as the existing Capital Programme of those projects approved in principal for 2013/14 and 2015/16; to give the proposed capital programme for the three years 2013/14-2015/16, and how they will be funded.
- 1.3 When considering approval of capital projects, we need to ensure that:-
- we would not fail to meet our statutory duties if a scheme was not approved
  - urgent projects are given priority to meet legal obligations/avoid litigation claims
  - our spending decisions are meeting our key priorities and compliant with the most recent policy framework delivering a priority outcome
  - the failure to approve a bid would prove detrimental to the continuity of the service delivery
  - all revenue costs/savings as well as capital costs have been considered
  - we can establish that although the project may not necessarily link with corporate priorities it will provide positive results to service delivery
  - we recognise potential external partnership benefits with public, private or voluntary sector
  - consideration has been given to sources of funding available and we have maximised external funding on all projects (where appropriate)
- 1.4 The project outlines are initially prepared by Project Managers/Heads of Service and reviewed with Finance to ensure the resulting spend is of a capital nature and is therefore appropriate to be included in any considerations for the programme.
- 1.5 The Capital Control and Working Group produced criteria (in line with the points at 1.3 above) that is now used to prioritise any projects for inclusion in future Capital Programmes and was approved at Executive in December 2012. Both the projects approved in principal for inclusion in 2013/14 and the recently developed project outlines have been subject to the approved criteria and scored by the Capital Control & Working Group. A summary of the results are attached at Appendix B.

## **2 CAPITAL PROGRAMME PROJECT OUTLINES FOR 2013/14 APPROVED IN PRINCIPAL FEBRUARY 2012**

- 2.1 A number of projects, totalling £1,099,800, were approved in principal for inclusion in the 2013/13 Capital Programme at Council in February 2012. This has now reduced to £962,000, the details of how this is made up can be found in Appendix A and further detailed in 2.2 to 2.7 below:

#### **PROJECT OUTLINES APPROVED IN PRINCIPAL THAT REMAIN UNCHANGED**

- 2.2 The Whitehaven Townscape Heritage Initiative project for £250,000 that was approved in principal in February 2012 is dependent upon successful bidding for external funding for an additional £1.45m. The second phase of the bid is to be submitted at the financial year end with a conclusion as to whether we were successful expected in September 2013. Should this match funding be unsuccessful the scheme in its current state would not proceed and the £250,000 call on CBCs reserves will not be required.

#### **PROJECT OUTLINES APPROVED IN PRINCIPAL THAT REQUIRE ADDITIONAL FUNDING**

- 2.3 £500,000 was approved in principal for Disabled Facilities Grants (DFG's) for 2013/14 which is partially externally funded. As we draw near to the financial year end of 2012/13 it has become apparent that the in-year demand for Disabled Facilities Grants will exceed the £500,000 current years approved budget. Housing have reported to Finance that the revised anticipated commitment level in 2012/13 will increase up to a level £550,000 on DFG's and this trend is expected to continue into 2013/14. A revised Project Outline has therefore been developed for £600,000 for 2013/14. Members are asked to note that these figures are subject to change as it is impossible to predict with certainty either the number or value of referrals that may be received.
- 2.4 We anticipate external grant income of £261,000 from the Department of Communities and Local Government (DCLG) towards the 2013/14 DFG programme reducing the need to call upon our reserves from £600,000 to £339,000. In the current financial year, we have received an additional £60,000 from Cumbria County Council and a further £80,000 from DCLG, but this income cannot be guaranteed for future years. Any additional income received in year however, will reduce the need to call upon our own capital reserves.

#### **PROJECT OUTLINES APPROVED IN PRINCIPAL AND REDUCED IN VALUE**

- 2.5 £217,000 was approved in principal for Public Buildings for 2013/14. The projects identified as a priority for 2013/14 amount to £112,000 (detailed plan of works to follow this report, prior to spend) and therefore the remaining £105,000 is no longer required can be returned to the Useable Capital Receipts Reserve. It has been agreed at the Capital Control and Working Group that for clarity, these projects should be re-named Operational Buildings in 2013/14.

#### **PROJECT OUTLINES APPROVED IN PRINCIPAL AND NO LONGER REQUIRED**

- 2.6 £80,000 was approved in principal by Council in February 2012 to purchase a new recycling vehicle in 2013/14. This call on our reserves is no longer required due to a change in business needs from a recent department restructure with the termination of the plastic and card kerbside collection service. The £80,000 can be returned to the Useable Capital Receipts Reserve.

- 2.7 £52,800 was approved in principal for Energy Efficiencies for 2013/14 however it has been agreed that there is no longer an urgent priority to engage in further energy efficiency works throughout the authorities' buildings. The full call on our reserves of £52,800 is no longer required and so can be returned to the Useable Capital Receipts Reserve for allocation to other projects.

### **3 NEW PROJECT OUTLINES FOR 2013/14**

- 3.1 A total of 3 new project outlines were developed by Heads of Service for consideration as part of the Capital Programme 2013/14, one for Copeland Pool and one for ICT, one for Land Management and a further outline form has been developed for the increase in the funding required for DFG's in 2013/14 (as detailed in 2.3 & 2.4 above).

#### **ENHANCEMENT OF ICT INFRASTRUCTURE – CAPABILITY & CAPACITY**

- 3.2 As Copeland Borough Council is changing the way it operates and the way in which it delivers services we need to develop, extend and provide new ICT tools and services to support the ambitions of the council. This transformation will include a greater focus on the use of ICT to enhance service delivery and enable more of our services to be accessible online. A project outline has been developed amounting to £200,000 which includes the purchase of new systems and the enhancement of existing infrastructure.

#### **COPELAND POOL**

- 3.3 Detailed feasibility work has been carried out over a number of years at Copeland Pool and it was concluded that an extension should be provided to the existing pool facility to accommodate a fitness gym, two multi-purpose activity rooms and additional car parking spaces. A project outline has been developed for £262,524 from our reserves with the remaining £450,000 to be externally funded. It is anticipated that this project will provide a net income stream which will be utilised to support the operation of the pool facility and reduce net costs in line with the proposed reduction in the contract value from Copeland Borough Council to North County Leisure to manage and deliver the Pool service.

#### **LAND MANAGEMENT & ASSET REDEMPTION**

- 3.4 A Land Management PID was developed for a total of £350,000 for 2013/14 and 2014/15. This PID provides a framework for the proactive safety management for the councils land assets where risk can occur. It will allow for an action plan to be established for dealing with future maintenance and unforeseen anomalies and hazards. By pre-approving funding it will aid the council's budgetary framework in estimating future expenditure and necessary risk based reserves thus reducing unexpected financial pressures.

#### **4 FINANCING OF THE CAPITAL PROGRAMME 2013/14 – 2015/16**

- 4.1 Table 1 overleaf shows the sources of funding for draft Capital Programme for the three years 2013-2016. It is important that the funding of the proposed Capital Programme is fully understood and can be demonstrated.
- 4.2 The proposed 2013/14-2015/16 capital programme expenditure would be financed as follows:

**Table 1: Financing of the proposed 2013/14 - 2015/16 Capital Programme**

<b>Funded by:</b>	<b>2013/14 £</b>	<b>2014/15 £</b>	<b>2015/16 £</b>
General Useable Capital Receipts	999,524	265,000	0
Housing Capital Receipts	339,000	339,000	339,000
Other External Funding	261,000	261,000	261,000
<b>TOTAL FINANCING</b>	<b>1,599,524</b>	<b>865,000</b>	<b>600,000</b>

#### **5 CAPITAL RESOURCES**

- 5.1 Table 2 overleaf shows the forecast position of the movement (i.e. use and new capital receipts) on usable capital receipts for 2012/13 (table 3 shows 2014/15 and table 4 shows 2015/16) which will be used to fund the capital programme.
- 5.2 It was approved by Council on 22<sup>nd</sup> January 2013 that the VAT Share receipts (including any future VAT Share receipts) can be utilised to fund all non-housing related expenditure on both the current and future capital programmes. The tables overleaf show the split of the non-housing reserves (General Capital Receipts) and Housing Reserves (Housing Capital Receipts).
- 5.3 Members are asked to note that the opening balance figures in Table 2 (and so consequently Tables 3 and 4) are as at 31<sup>st</sup> December 2013. The Useable Capital Receipts Reserve balances will need to be adjusted by any commitments made in 2012/13 but that will be paid for in 2013/14 (slippage) that occurs between 1<sup>st</sup> January 2013 and 31<sup>st</sup> March 2013 but any fluctuation in the opening balances as a result of this, will be matched by an equal adjustment to the draw down (spend) on the reserve, i.e. nil net impact on reserves.

**Table 2: Impact of the forecast capital programme spend and receipts for 2013/14 on the Useable Capital Receipts Reserve**

<b>USABLE CAPITAL RECEIPTS</b>	<b>General Capital Receipts (incl VAT Share)</b>	<b>Housing Capital Receipts (Previously PRTB &amp; RRTB)</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Forecast <b>Opening balance</b> at 1 <sup>st</sup> April 2013 (as at 31 <sup>st</sup> December 2012)	<b>-1,078,337</b>	<b>-1,777,889</b>	<b>-2,856,226</b>
Forecast draw down to fund draft 13/14 capital programme	999,524	339,000	<b>1,338,524</b>
Forecast Capital Receipts from sale of assets in year	-515,500	-	<b>-515,500</b>
Forecast Capital Receipts from VAT Share Agreement	-364,596	-	<b>-364,596</b>
Forecast useable Capital Receipts <b>closing balance</b> at 31 <sup>st</sup> March 2014	<b>-958,909</b>	<b>-1,438,889</b>	<b>-2,397,798</b>

**Table 3: Impact of the forecast capital programme spend and receipts for 2014/15 on the Useable Capital Receipts Reserve**

<b>USABLE CAPITAL RECEIPTS</b>	<b>General Capital Receipts (incl VAT Share)</b>	<b>Housing Capital Receipts (Previously PRTB &amp; RRTB)</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Forecast <b>Opening balance</b> at 1 <sup>st</sup> April 2014	<b>-958,909</b>	<b>-1,438,889</b>	<b>-2,397,798</b>
Forecast draw down to fund draft 14/15 capital programme	265,000	339,000	<b>604,000</b>
Forecast Capital Receipts from sale of assets in year	-1,508,000	-	<b>-1,508,000</b>
Forecast Capital Receipts from VAT Share Agreement	-360,567	-	<b>-360,567</b>
Forecast useable Capital Receipts <b>closing balance</b> at 31 <sup>st</sup> March 2015	<b>-2,562,476</b>	<b>-1,099,889</b>	<b>-3,662,365</b>

**Table 4: Impact of the forecast capital programme spend and receipts for 2015/16 on the Useable Capital Receipts Reserve**

<b>USABLE CAPITAL RECEIPTS</b>	<b>General Capital Receipts (incl VAT Share)</b>	<b>Housing Capital Receipts (Previously PRTB &amp; RRTB)</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Forecast <b>Opening balance</b> at 1 <sup>st</sup> April 2015	<b>-2,562,476</b>	<b>-1,099,889</b>	<b>-3,662,365</b>
Forecast draw down to fund draft 15/16 capital programme	-	339,000	<b>339,000</b>
Forecast Capital Receipts from sale of assets in year	-2,289,000	-	<b>-2,289,000</b>
Forecast Capital Receipts from VAT Share Agreement	-711,983	-	<b>-711,983</b>
Forecast useable Capital Receipts <b>closing balance</b> at 31 <sup>st</sup> March 2016	<b>-5,563,459</b>	<b>-760,889</b>	<b>-6,324,348</b>

5.4 The Capital Programme is heavily reliant on the sales of assets and our VAT Share receipts. The timing of both these capital receipts is critical to the funding of the proposed Capital Programme 2013/14-2015/16. Members are reminded that the receipts detailed in tables 2-4 above are the best forecast prediction as of 31<sup>st</sup> December 2012. Any fluctuation in the timing of these forecast receipts could potentially have a negative impact on the funding of the capital programme 2013/14 and beyond. The current market conditions with regard to property/land sales to realise these capital receipts remains very slow. The assets (predominantly land) will be placed on the market when conditions are favourable and this is kept under constant review by the Estate and Valuations Manager and the Head of Legal Services. It may be the case that some assets will be placed on the market sooner than currently anticipated, with resulting receipts ahead of those detailed in tables 2-4 above. It is not anticipated as at 31<sup>st</sup> December 2012, that the assets will be offered for sale at later dates, however if this were to happen, the funding of the capital programme would need to be re-examined.

## **6 CONCLUSION**

6.1 The proposed draft Capital Programme 2013/14-2015/16, can be funded from Useable Capital Receipts Reserve utilising the VAT Share receipts as approved at Council on 22<sup>nd</sup> January 2013 and assuming current forecast capital receipts are realised in the three year period as outlined in paragraph 5 above.

## **7 STATUTORY OFFICER COMMENTS**

- 7.1 The Monitoring Officer's comments are: No further comment
- 7.2 The Section 151 Officer's comments are: Included within the report.
- 7.3 EIA Comments: EIA Completed as part of the budget setting process.
- 7.4 Policy Framework: The report refers to the need to ensure that spending decisions in relation to the Capital Programme are meeting key priorities, are compliant with the most recent policy framework and are delivering priority outcomes. Each new project outline for 2013/14 explains how it will do this.
- 7.4 Other consultee comments, if any: None

## **8 WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?**

- 8.1 It is imperative that the draft capital programme is considered prior to the year end to ensure that adequate financing is in place before the 2013/14 programme commences. Once commenced, all budgets will be monitored monthly, with exceptions reported through Corporate Leadership Team monthly and Executive quarterly so that management action can be taken to ensure the effective use of resources as planned by the Council.
- 8.2 The capital programme assumes funding from the sale of assets and external (grant) contributions. There is no assumption at this stage to borrow to finance the programme. Generation of capital receipts presents risks in terms of the timing and value of receipt. The Financial Management and Treasury Accountant and the Estates and Valuations Manager meet regularly to review asset sales.
- 8.3 The value of the Disabled Facility Grant, which provides external funding for the housing programme, (£261,000) has been estimated for 2013/14, based on current year receipt, as the award will not be made public until March 2013. The value of receipt has been duplicated for the year 2014/15. If the actual grant receipt fluctuates from this estimate this will impact on the use of the Useable Capital Reserve as detailed in tables 2-4.

### **List of Appendices:**

Appendix A – Draft Capital Programme 2013/14 -2015/16

Appendix B – Capital Criteria Scoring Results from Capital Control & Monitoring Group

**List of Background Documents:** None

**Consultees:**



Capital Control & Monitoring Group  
Heads of Service and Service Managers

APPENDIX A

CAPITAL PROGRAMME BUDGET 13/14, 14/15 & 15/16

BID NO	DEPARTMENT	Expenditure					Funding			Expenditure				Expenditure				OVERALL TOTAL 13/14-15/16
		2013/14					2013/14			2014/15				2015/16				
		Existing programme March 12 Council £'000	Slippage approval sought Exec 12/13 £'000	Draft bids submitted Jan 13	Updated for Slippage 12/13 Out turn approval sought Exec May 2013	TOTAL 13/14 including slippage	UCRR	Housing Reserve	External	Existing programme March 12 Council	Slippage approval sought Exec 13/14	Draft bids submitted Jan 13	TOTAL 13/14 including slippage	Existing programme March 13 Council	Slippage approval sought Exec 14/15	Draft bids submitted Jan 13	TOTAL 15/16 including slippage	
	Corporate Department:																	
	Chief Executive					-											-	
						-											-	
	Chief Executive Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Corporate Resources:																	
	Operational Buildings	217,000		(105,000)		112,000	112,000					-				-	112,000	
	Energy Efficiency Measures	52,800		(52,800)		-	-					-				-	-	
3	ICT			200,000		200,000	200,000					-				-	200,000	
4	Land Management			175,000		175,000	175,000				175,000	175,000				-	350,000	
						-						-					-	
	Corporate Resources Total	269,800	-	217,200	-	487,000	487,000	-	-	-	175,000	175,000	-	-	-	-	662,000	
	Neighbourhoods:																	
	Vehicles	80,000		(80,000)		-				90,000		90,000				-	90,000	
	Neighbourhoods Total	80,000	-	(80,000)	-	-	-	-	-	90,000	-	90,000	-	-	-	-	90,000	
	Regeneration and Community:																	
																	-	
1	Disabled Facilities Grants	500,000		100,000		600,000		339,000	261,000	600,000		600,000			600,000	600,000	1,800,000	
	Whitehaven Townscape Heritage Initiative	250,000				250,000	250,000					-				-	250,000	
2	Copeland Pool			262,524		262,524	262,524					-				-	262,524	
						-						-					-	
	Regeneration and Community Total	750,000	-	362,524	-	1,112,524	512,524	339,000	261,000	600,000	-	600,000	-	-	600,000	600,000	2,312,524	
	TOTAL CAPITAL PROGRAMME -	1,099,800	-	499,724	-	1,599,524	999,524	339,000	261,000	690,000	-	175,000	865,000	-	-	600,000	3,064,524	

This is CBC's contribution to a £1.7m project and it is envisaged that the £250k will be paid as a grant and therefore it is this amount that it included in the draft budget as opposed to the full scheme.  
This is CBC contribution to a £713k project - the £262,524 is the call on our reserves and so has been included as such.

**CAPITAL CRITERIA & SCORING SYSTEM**

Suggested Criteria	Summary	Weight	SCORING			
			1	2	3	4
Statutory requirement	We would fail to meet our statutory duties if the scheme was	25	Does not Meet	Partially Meets	Substantially Meets	Fully Meets
Urgent priorities/avoidance of litigation claims	Urgency of investment required to meet legal obligations i.e. avoidance of Corporate Manslaughter and other litigation claims, Health and Safety, Disability Discrimination Act	25	N/A			Definate
New policy framework	A project that specifically complies with the most recent policy framework and delivers a priority outcome.	15	Does not comply			Fully complies
Business need/Avoiding future business interruption	The project is essential to ensure the continuity of the of the service delivery and avoid future potential business interruption	15	Not essential to continuity	partially essesntial to continuity	substantially essential to continuity	Totally essential to continuity
Invest to save	Provision of future revenue savings/additional income from completion of project include payback period	10	No savings/net income	upto 15% savings/income	15%-25% savings/income	Over 25% savings/income
Revenue implications	Delivery and completion of the project would result in a future net revenue cost (see invest to save for positive revenue implications)	10	Under 10k net cost (=score*-1)	£11k to £20k net cost (*-1)	£21k to 50K net cost (*-1)	Over £50k net cost (*-1)
Operational benefits	The project does not necessarily link with corporate priorities but will provide positive benefits to service delivery	10	No positive benefits	Limited positive benefits	Substantial positive benefits	Full positive benefits
Partnership working	External partnership benefits with public, private or voluntary sector	10	No partnership benefits	Limited partnership benefits	Substantial partnership benefits	Full partnership benefits
External match funding/full external funding	Project is part funded or fully funded from externally generated resources	10	None	Up to 33% funded	34% - 66% funded	67%-100% funded
max score			130	260	390	520

Weighting Criteria: (Weight x score)

NEW BIDS FOR 2013/14				BIDS APPROVED IN PRINCIPAL IN 2012/13 FOR 2013/14	
SCORE AS PER GROUP DISCUSSION				SCORE AS PER GROUP DISCUSSION	
DFG'S	ICT AGILE WORKING	COPELAND POOL	LAND MANAGEMENT	OPERATIONAL BUILDINGS	W/HAVEN THI
100	75	25	50	25	25
100	100	25	100	25	25
60	15	15	15	15	15
60	60	30	30	30	15
10	40	40	10	20	20
0	0	0	0	0	0
40	40	40	30	40	20
30	20	40	10	20	30
40	10	40	10	10	40
440	360	255	255	185	190