

PROPOSED DRAFT CAPITAL PROGRAMME FOR 2011/12 – 2013/14

EXECUTIVE MEMBER: Cllr Elaine Woodburn
LEAD OFFICER: Joanne Wagstaffe – Director of Resources and Transformation
REPORT AUTHOR: Ann Treble, Capital Accountant

Summary:

This report provides the details to the proposed Capital Programme 2011/12-2013/14, which was presented to, reviewed and amended by RPWG at its meeting in January 2011, and to Executive at its meeting of 4 February. It demonstrates how the proposed bids meet the key corporate priorities.

Recommendation:

- (i) Executive are asked to consider the new capital bids presented and make recommendations for the inclusion in the draft Capital Programme to Council.
- (ii) Executive are asked to note the value of the three year programme is £6,421,296.
- (iii) Executive are asked to consider the existing bids that were presented and approved by Council in March 2010.
- (iv) Executive are asked to note the proposed draft capital programme for 2011/12 to 2013/14, can be funded from capital receipts reserve, but this assumes £5,626,560 of capital receipts are realised in the three year period.
- (v) Executive are asked to note the forecast on Useable Capital Receipts Reserve uses balances at 30 September 2010.

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 services.
- 1.2 This paper details the draft Capital Bids put forward, for inclusion in the Capital Programme for 2011/12 and beyond, as well as the existing Capital Programme for 2011/12 and 2012/13, to give the proposed capital programme for the three years 2011/12-2013/14, and how they will be funded.
- 1.3 When considering approval of capital bids, we need to ensure that:-
 - our spending decisions are meeting our key priorities
 - we would not fail to meet our statutory duties if a scheme was not approved
 - consideration has been given to sources of funding available
 - we have maximised external funding on all bids (where appropriate)
 - all revenue costs/savings as well as capital costs have been considered
- 1.4 Members are asked to note that the key priorities are those in place at the commencement of this financial year and are subject to change.
- 1.5 The draft capital bids included in the programme have been prepared by Service managers and Heads of Service. Finance has reviewed the draft bids to consider if the resulting spend is of a capital nature and is therefore appropriate to be included in any considerations for the programme.
- 1.6 The draft capital bids have been reviewed with the Service Managers to explore all sources of finance and, external sources of finance have been used wherever possible.
- 1.7 Executive are being asked to recommend approval to Council, in principle, the three year capital programme for 2011/12-2013/14. Before new schemes commence, they are to be further appraised via a PID/project brief being prepared and presented for approval to Executive. The PID/project brief will be used:
 - To ensure that the project has a sound basis before the commencement of the scheme.
 - To establish what the project is aiming to achieve
 - Why it is important to achieve it (meeting the Council's key priorities)
 - Who is going to be involved in the project and what their responsibilities are
 - How and when it is all going to happen, including a profile of spend (and income if appropriate)

- To act as a base document against which progress can be assessed (at monthly capital budget monitoring meetings)
- To measure the success of the project against a set of agreed criteria.

1.8 The table below shows the changes made to the proposed 2011/12 capital programme since December 2010.

Three year programme total as presented to RPWG December 2010	Bid Ref	8,173,596
Slippage as at 30 September 2010	n/a	465,000
Nursery stock holding area MP	5	27,000
Removal of Phoenix lift bid	n/a	(100,000)
Removal of Beacon bid (now covered by increased bid for energy efficiencies)	n/a	(36,500)
Increase in bid energy efficiencies	10	3,700
Allocation to revenue of part of Website bid (as not eligible for capitalisation)	1	(30,000)
Removal of wash area from fuel tank bid	4	(6,500)
Removal of Millom cemetery bid	n/a	(140,000)
Removal of 'addition' on housing bid	6	(90,000)
Total revised three year programme as presented to RPWG January 2011.		8,266,296
Land at Millom cemetery	n/a	140,000
Reduction in housing budget (see para 3.3)	7	(2,910,000)
Albion Square removal of own funding (schemes under development)	n/a	(2,000,000)
Albion Square 100% grant funded (NMP through BECWC)	n/a	2,925,000
Total revised three year programme presented to Executive 4 February 2011.		6,421,296

1.9 A bid for the redevelopment of the council's website is included in this report. The total expected spend is in excess of £60k but this is not all eligible for capital funding. The elements that are not attributable to 'securing future economic benefit to the council' i.e. those parts that advertise what we do, but do not allow for revenue collection are not eligible for funding by capital and must therefore be funded through revenue. This split is currently shown as £30k in capital and £30k in revenue (to be funded from Choosing to Change) but this split may change as project details are confirmed.

- 1.10 Members are asked to be aware that a number of projects may/are being currently explored that may lead to additional schemes on the Capital programme over the next three years. Any additional request will require additional funding. Members are asked to note that any funding in connection with potential schemes has not been reflected in the tables 2 to 4 of this report. These include:

Potential scheme	Potential total cost
Additional sweeper and other vehicles	£80,000
A number of vehicles were bought out right previously and these are now close to/past their useful economic life. Work is being done to explore options including utilising existing vehicles/purchase of new with capital funding/lease of vehicles with revenue funding	
NCL	?
Carbon reduction works and possible enhancements /changes to service provision as a result of standard service contracts review. Investigation into possible options, payback periods and external funding are currently being undertaken.	
Coastal Environmental Improvements	£200,000
Toilets/car parks/access at beaches maybe able to utilise external funding – report on Coastal Initiative expected to be presented to November Executive	
Albion Square	?
May be a requirement for funding over the approved allocation shown in Appendix B	
Pow Beck	?
May be a requirement to fund this development-amount and timing unknown	

- 1.11 Members are also asked to note that Copeland has been granted approval from DCLG for a capitalisation direction with regard to any potential statutory redundancy costs, to a maximum of £95,000. Members are asked to note that this potential cost has not been reflected in the tables 2 to 4 of this report, but once costs have been established relevant funding options will be considered.

2 OPTIONS

- 2.1 A summary of the draft Capital Programme for the years 2011-14 is shown in appendix A.

- 2.2 Appendix B demonstrates how the proposed bids meet the key corporate priorities (as at commencement of year) as detailed in para 1.3. It also separates the bids between:
- NEW bids and
 - ROLLING existing bids (these bids have been previously approved by Council but a number have undergone further scrutiny this year)
- The bids for the three year period total £6,421,296.

3 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 3.1 Table 1 below shows the sources of funding for draft Capital Programme for the three years 2011-2014. It is important that the funding of the proposed Capital Programme is fully understood and can be demonstrated. This should contribute to Executive's confidence in recommending the draft capital programme (in whole or part).
- 3.2 The proposed 2011/12- 2013/14 capital programme expenditure can be financed as follows:

Table 1: Financing of the proposed 2011/12- 2013/14 Capital Programme

	2011/12	2012/13	2013/14
Funded by:	£	£	£
Useable Capital Receipts	876,351	379,800	252,800
Useable Capital Receipts - Preserved right to buy sales (post stock transfer)	570,319	0	0
Useable Capital Receipts - Residual Right to Buy receipts (pre stock transfer)	174,681	290,000	290,000
Other External Funding	3,148,000	210,000	210,000
Other Reserves & contributions	19,345		
TOTAL FINANCING	4,788,696	879,800	752,800

- 3.3 The high demand for private sector renewal housing assistance, residents continuing requirement for Disabled Facilities Grant support (both of which target vulnerable residents to improve their private dwellings to ensure quality of life and decency standards), requires a level of funding which will not be met by external funding in the coming three years.

The past three years have seen a sharp decline in the main source of external funding for the housing capital programme - the DCLG housing grant, from £1.175m in 2008/09 to £842k in 2009/10 to £554k in 2 010/11, and it has now been abolished leaving no funding available for 2011/12 onwards.

The anticipated DFG commitment for the current year 2010/11, as at December 2010 was £680k, with prudent estimates of £900k per year for years 2011/12 onwards. As the DCLG monies are now no longer available the only external source of finance is the DFG award, which has been £210k for the past four years, although a bid of £675k has been submitted for 2011/12. As this award will not be announced until March 2011, its receipt has been assumed at £210k, with the remainder of the funding for the proposed housing capital coming from Copeland's own resources.

The revised housing assistance policy that was approved in August 2010, saw a restriction in eligibility of applicants and the exclusion of all but category 1 hazards. It also ensures that all assistance is now given in the form of an interest free loan repayable upon sale of the property as opposed to loan and grant.

Members are reminded that we need to fulfill our **statutory** duties, with regard to providing Disabled Facilities Grants, and this must take precedence over the allocation of funding to be used in fulfillment of our powers, regarding Housing Renewal Loans. With this in mind there is no proposed budget allocation for home renewal for 2011/12 onwards and this activity will cease upon completion of works on all current loans.

The budget for 2011/12, detailed in Appendix A, relates to slippage on current Housing loans and DFGs i.e. commitments made this year that will not require payment until next year of £455k and an allocation for 2011/12 for DFGs (only) of £500k. The level of funding for DFGs is set against the need for an extensive review of; activity carried out/expenditure incurred/funding sources and options for recovery of expenditure in the future.

CAPITAL RESOURCES

- 4.1 Table 2 below shows the forecast position of the movement (i.e. use and new capital receipts) on usable capital receipts for 2011/12 (table 3 shows 2012/13 and table 4 shows 2013/14) which will be used to fund the capital programme.
- 4.2 Members are asked to note that the opening balance figures in Table 2 (and so consequently Tables 3 and 4) are as at quarter 2 to 30 September 2010. The Useable Capital Receipts Reserve balances will need to be adjusted by any commitments made in 2010/1 that will be paid for in 2011/12 (slippage). 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 2011/12 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	Receipts from sale of assets	Preserved right to buy sales	Residual Right to buy	VAT sharing receipt	Housing Loans/Grants Repaid	TOTAL
	£	£	£	£	£	£
Forecast Opening balance at 1 April 2011 (as at 30 September 2010)	(79,087)	(570,319)	(1,349,385)	(1,590,723)	(7,275)	(3,596,789)
Forecast draw down to fund draft 11/12 capital programme	876,351	570,319	174,681			1,621,351
Forecast Capital Receipts in year (adj for quarter 2 10/11)	(1,596,560)			(331,082)		(1,927,642)
Forecast useable Capital Receipts closing balance at 31 March 2012	(799,296)	0	(1,174,704)	(1,921,805)	(7,275)	(3,903,080)

Table 3: Impact of the forecast capital programme spend and receipts for 2012/13 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	Receipts from sale of assets	Preserved right to buy sales	Residual Right to buy	VAT sharing receipt	Housing Loans/Grants Repaid	TOTAL
	£	£	£	£	£	£
Forecast Opening balance at 1 April 2012	(799,296)		(1,174,704)	(1,921,805)	(7,275)	(3,903,080)
Forecast draw down to fund draft 12/13 capital programme	379,800		290,000			669,800
Forecast Capital Receipts in year	(2,600,000)			(136,892)		(2,736,892)
Forecast useable Capital Receipts closing balance at 31 March 2013	(3,019,496)		(884,704)	(2,058,697)	(7,275)	(5,970,172)

Table 4: Impact of the forecast capital programme spend and receipts for 2013/14 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	Receipts from sale of assets £	Preserved right to buy sales £	Residual Right to buy £	VAT sharing receipt £	Housing Loans/Grants Repaid £	TOTAL £
Forecast Opening balance at 1 April 2013	(3,019,496)		(884,704)	(2,058,697)	(7,275)	(5,970,172)
Forecast draw down to fund draft 13/14 capital programme	252,800		290,000			542,800
Forecast Capital Receipts in year	(1,430,000)					(1,430,000)
Forecast useable Capital Receipts closing balance at 31 March 2014	(4,196,696)		(594,704)	(2,058,697)	(7,275)	(6,857,372)

4.5 The timing of capital receipts is critical to the funding of the proposed Capital programme. Members are reminded that the receipts detailed in tables 2-4 above are the best forecast prediction as of December 2010. The assets (predominantly land) will be placed on the market when conditions are favourable and this is kept under constant review by the Contracts and Property Manager and Capita DBS. 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 December 2010, 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.

5 PROJECT AND RISK MANAGEMENT

5.1 It is imperative that the draft capital programme is considered at this early stage to ensure that adequate financing is in place before the 2011/12 programme commences. Once commenced, all budgets will be monitored monthly, with exceptions reported through Corporate Leadership Team and Executive so that management action can be taken to ensure the effective use of resources as planned by the Council.

5.2 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. Capita DBS and the Contracts and Property Manager meet monthly and review asset sales.

- 5.3 The value of the Disabled Facility grant which now provides the only external funding for the housing programme, (£210k) has been estimated for 2011/12, based on current year receipt, as the award will not be made public until March 2011, although a higher bid of £675k has been submitted for 2011/12. The value of receipt has been duplicated for years 2012/13 and 2013/14. If the actual grant receipt fluctuates from these estimates, this will impact on the use of the Useable Capital Reserve as detailed in tables 2-4.
- 5.4 The report makes specific reference to the unknown possible requirement for internal and external capital funding that may arise in connection with potential schemes as detailed in paragraph 1.9 of this report. The risk that contributions may be required are not are not factored into the current proposed programme or funding

6 IMPACT ON CORPORATE PLAN

- 6.1 The proposed bids have been summarised under the Corporate key objectives as detailed in Appendix B:

List of Appendices:

Appendix A - Draft capital programme 2011/12-2013/14
Appendix B – Meeting key objectives
Appendices 1-5,& 7 Capital bids

List of Background Documents: None

Consultees:

Head of Service and Service Managers
Contracts and Property Manager – Chris Lloyd
Strategic Housing Manager – Laurie Priebe

