

CAPITAL PROGRAMME FOR 2012/13– 2014/15

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Joanne Wagstaffe – Director of Resources and Transformation
REPORT AUTHOR: Ann Treble - Financial Management and Treasury Accountant

Summary:

The purpose of this report is to seek Council's approval of the proposed Capital Programme 2012/13 – 2014/15.

This proposed Capital Programme has been reviewed and considered by Resources Working Group and Executive agreed the final proposal for recommendation to Council, at its special meeting of 14 February 2012.

This report sets out the proposed financing for the Programme and the estimated capital resources available to fund it.

The proposed capital programme for 2012/13 of £1,543,649, for 2013/14 of £1,099,800 and for 2014/15 of £590,000, can be funded from capital receipts reserve, assuming £7,043,000 of capital receipts are realised in the three year period.

If approved, this capital investment will assist in ensuring the Council delivers its front line services and meet its key objectives and priorities over the next 3 years as set out in its Corporate Plan.

Recommendation:

Council is recommended to:-

- (i) Approve, in principle, the capital programme for 2012/13 at £1,543,649 and future years 2013/14 and 2014/15 at £1,099,800 and £590,000 respectively as summarised in Appendix A, subject to further appraisal of each scheme, via a PID/Project Brief being prepared and presented to and formally approved by Executive, prior to the commencement of spend.
- (ii) Approve the funding of the capital projects should capital receipts be delayed. See Appendix C and paragraph 4.3.

1 INTRODUCTION

- 1.1 Each year the Council updates its three year rolling capital programme for the purchase of tangible and intangible non current assets, bringing them into use and enhancing them as defined in Accounting Standards.
- 1.2 There are several sources of funding available for the capital programme, including the option of prudential borrowing, use of existing borrowing, the application of capital receipts, revenue contributions to capital expenditure and the use of external funding and grants. The 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.
- 1.3 There are strict definitions of what constitutes capital expenditure and whilst resources other than capital can be utilised to fund capital expenditure, capital resources can only be used to fund capital expenditure.
- 1.4 It must be noted, however, that the capital receipts generated during the lifetime of the programme are estimates at this stage, and in the light of the continuing economic downturn, the need to consider flexibly the programme against resources is even more critical. The capital programme indicates a drawdown of capital reserves over the three year period of £2,423,449. The forecast opening balance at the beginning of the period is £4,545,158, the sale of assets, is therefore essential to funding the capital programme
- 1.5 The capital proposals as presented were discussed by the Resources Planning Working Group in February. Executive reviewed the report at its meeting of 14th February 2012
- 1.6 This paper details the Capital Bids put forward, for inclusion in the Capital Programme for 2012/13 and beyond, as well as the existing Capital Programme for 2012/13 and 2013/14, to give the proposed capital programme for the three years 2012/13-2014/15, and how they will be funded
- 1.7 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
- 1.8 Members are asked to note that a number of service reviews are underway and a request for capital funding may be made dependent upon the outcome of these. Any such request will be processed through the appropriate committees as an addition to the capital programme. Members are asked to note that any funding in connection with any such potential schemes has not been reflected in the tables 2 to 4 of this report
- 1.9 Council is being asked to recommend approval in principle, the three year capital programme for 2012/13-2014/15. 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.

2 OPTIONS

2.1 A summary of the draft proposed Capital Programme for the years 2012-2015 is shown in Appendix A

2.2 Appendix B demonstrates how the proposed bids meet the current key corporate priorities as detailed in para1.3.

It also separates the bids between:

- NEW bids (detailed bid in appendices 1-5),
- 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 programme total £1,543,649.

3 FINANCING CAPITAL PROGRAMME IMPLICATIONS

3.1 Table 1 below shows the sources of funding for proposed Capital Programme for the three years 2012-2015, being £1,543,649 in 2012/13, £1,099,800 in 2013/14 and £590,000 in 2014/15. It is important that the funding of the proposed Capital Programme is fully understood and can be demonstrated. This should contribute to Council's confidence in approving the capital programme (in whole or part), and provides a framework for monitoring by Executive, during the year

3.2 The proposed 2012/13- 2014/15 capital programme expenditure can be financed as follows:

Table 1: Financing of the proposed 2012/13- 2014/15 Capital Programme

	2012/13	2013/14	2014/15
Programme funded by:	£	£	£
Useable Capital Receipts	863,649	599,800	90,000
Useable Capital Receipts - Preserved right to buy sales (post stock transfer)/Residual Right to Buy (pre stock transfer)	370,000	250,000	250,000
Other External Funding	310,000	250,000	250,000
TOTAL FINANCING	1,543,649	1,099,800	590,000

4 INTERNAL 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 2012/13 (table 3 shows 2013/14 and table 4 shows 2014/15) 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 3 to 31 December 2011. The Useable Capital Receipts Reserve balances will need to be adjusted by any commitments made in 2011/12 that will be paid for in 2012/13 (slippage). Any fluctuation in the opening balances as a result of this will be matched by and 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 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	TOTAL
	£	£	£	£	£
Forecast Opening balance at 1 April 2012 (as at 31 December 2011)	(597,112)	(656,195)	(1,349,385)	(1,942,466)	(4,545,158)
Forecast draw down to fund draft 12/13 capital programme	863,649	370,000			1,233,649
Forecast Capital Receipts in year (adj for quarter 2 10/11)	(3,639,000)				(3,639,000)
Forecast useable Capital Receipts closing balance at 31 March 2013	(3,372,463)	(286,195)	(1,349,385)	(1,942,466)	(6,950,509)

Table 3: 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	TOTAL
	£	£	£	£	£
Forecast Opening balance at 1 April 2013	(3,372,463)	(286,195)	(1,349,385)	(1,942,466)	(6,950,509)
Forecast draw down to fund draft 13/14 capital programme	599,800	250,000			849,800
Forecast Capital Receipts in year	(3,404,000)				(3,404,000)
Forecast useable Capital Receipts closing balance at 31 March 2014	(6,176,663)	36,195	(1,349,385)	(1,942,466)	(9,504,709)

Table 4: Impact of the forecast capital programme spend and receipts for 2014/15 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	TOTAL
	£	£	£	£	£
Forecast Opening balance at 1 April 2014	(6,176,663)	(36,195)	(1,349,385)	(1,942,466)	(9,504,709)
Forecast draw down to fund draft 14/15 capital programme	90,000	36,195	213,805		340,000
Forecast Capital Receipts in year					
Forecast useable Capital Receipts closing balance at 31 March 2015	(6,086,663)	-	(1,135,580)	(1,942,466)	(9,164,709)

4.3 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 January 2012. The assets (predominantly land) will be placed on the market when conditions are favourable and this is kept under constant review by the property department. 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 January 2012, that the assets will be offered for sale at later dates, however if sales do not progress as scheduled, there will be insufficient funding within the "AUTHORISED for use on non housing element" of Useable Capital Receipts Reserve (UCRR) (Appendix C), to fund the forecast capital programme.

Council are asked to approve the following:

Authorise use of Preserved Rights to Buy/Residual rights to Buy reserves (both of which currently have approval to fund housing only) to gap fund until receipt (then repay).

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 2012/13 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. The capital programme is also monitored through the Capital Control and Monitoring Group which meets regularly throughout the year.
- 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. The Development Surveyor and finance meet monthly to review asset sales
- 5.3 The value of the Disabled Facility grant which now provides the only external funding for the housing programme, (£250,000) has been estimated for 2012/13, based on current year receipt, as the award will not be made public until March 2012. 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 1.8 of this report. The risk that contributions may be required are not are not factored into the current proposed programme or funding

6 STATUTORY OFFICER COMMENTS

- 6.1 The Monitoring Officer's comments are;
None
- 6.2 The Section 151 Officer's comments are;
In setting the budget requirement in February 2012, the Council is required under Section 25 of the Local Government Act 2003 to consider the formal advice of the statutory s151 responsible officer, the Corporate Director of Resources and Transformation, on the robustness of the estimates included in the budget and adequacy of reserves.

My conclusion is that the estimates as presented are robust and the level of resources adequate.

All other comments are contained within the report.

- 6.3 Other consultees comments, if any;
Corporate Leadership Team and Heads of Service have been consulted on the report and their comments are reflected within the body of the report.

LIST OF APPENDICES:

Appendix A - Draft capital programme 2012/13-2014/15

Appendix B – Meeting key objectives

Appendix C – Commitment effect on available ‘authorised for use on non housing element’ of the Useable Capital Receipts Reserve

Appendices 1-5 new capital bids

LIST OF BACKGROUND DOCUMENTS:

None

CONSULTEES

Head of Service and Service Managers

Strategic Housing Manager – Laurie Priebe

Development Surveyor – Barbara Green

RPWG

Executive

New Bids				
1	2	3	4	5
Moresby Parks - Dealing with Vacated Accomodation	Valuation Data Transfer to CCC Terrier System	Fleet Items Replacement (2012/13, 2013/14 & 2014/15 bid)	Whitehaven Townscape Heritage Initiative (2013/14 bid)	Development Management - e-access

Meeting key priorities?	
1.1	Reducing health inequalities
1.2	Supporting communities
1.3	Tackle disadvantage & inequality
1.4	Supporting peoples personal development
2.1	Support work opportunities
2.2	Raise local skill levels
2.3	Sustainability
2.5	Low carbon projects
3.1	High quality housing
3.2	Reduce waste & improve recycling
3.3	Partnership working
3.5	Safer Copeland
3.6	Enhance local physical/natural environment
4.1	Respond to customers needs
4.2	Transform services
4.3	Maintain skilled, adaptable workforce
4.4	Transparent account of performance and resources

To fulfill statutory duties?	N	N	Y/N	N	N
Matched funding as % of bid	N	N	N	85.3	N
Revenue savings achievable?	N	N	N	N	N
Existing policy commitment?	N	N	N	N	N

COUNCIL 23 FEBRUARY 2012 Appendix C

COMMITMENT EFFECT ON AVAILABLE 'AUTHORISED FOR THE USE ON NON HOUSING ELEMENT' OF THE USEABLE CAPITAL RECEIPTS RESERVE

	as at period 6 2011/12
Opening Balance per Audited Accounts	(55,183)
Actual Drawdown to Period 9 2011/12	429,549
Actual Receipts to Period 9 2011/12	(807,741)
Current Total	(433,375)
Remaining Forecasted Expenditure for 2011/12	744,191
Remaining Forecasted Receipts for 2011/12	(923,977)
Forecast year end	(613,161)
This year end balance then applied as follows:	
Remaining Slippage	354,849
Existing next years budget (approved Feb 2011)	342,800
Forecast after current commitments met	84,488
New bids submitted October 2011 for next year	166,000
Forecast receipts for 2012/13	(3,639,000)
Forecast closing	(3,388,512)

i.e if no further capital receipts made before existing commitments met then this element of reserve is exhausted see paragraph 4.3

() - denotes a cash balance held/received
black figures denote expenditure

PROJECT OUTLINE – Bid 1

Project Title: MORESBY PARKS DEALING WITH VACATED ACCOMMODATION

Does the project require capital funding: Y

1. Project Description

The premises at Moresby parks are owned by the Council and partly leased to Copeland Homes. Notice has been given by them to terminate their lease at the end of March 2012. This means the Council will need to make a financial provision for dealing with the vacant space.

A range of options were presented to CLT in December 2010, and the decision was taken not to sell the premises but to seek a tenant. It is inevitable that there will be a loss of income when the lease with Home group terminates and there will be substantial costs incurred to enable to services to the building to be split to establish self contained units before a new tenant can be secured.

2. Key Deliverables

Satisfactorily deal with new tenant for the large area of space vacated by Copeland Homes.

3. Project Manager and Sponsor

Martyn Morton, Darienne Law

4. Budget (including size of budget, who is funding it and accountable body)

A request for a capital sum of £25,000 is being made to fund the splitting out of the services and any other changes/adaptations as required on the building in order to secure a tenant. Other works are likely to include access and egress works to enable the space to be self contained, although at this stage no detailed plan of works has been drawn up.

Funded by Copeland Borough Council through capital or revenue programme.

5. Key Project dates (including start date, key milestones, project completion date)

To carry out changes/adaptations as required on the building in order to secure a tenant which are likely to include access and egress works to enable the space to be self contained.

6. Current status of project

Early warning of need for funding.

PROJECT OUTLINE – Bid 2

Project Title: VALUATION DATA TRANSFER TO CUMBRIA COUNTY COUNCIL LAND TERRIER

Does the project require capital funding: Y

1. Project Description

CBC's property management data was previously held on a property management system owned by Capita Symonds until the property management service transferred back in house on 1st February 2011. At that time, the basic property details of the CBC portfolio were downloaded onto an excel spreadsheet. It was intended that the use of these spreadsheets would be temporary until a formal property management system could be introduced. However the use of these spreadsheets has remained. This has proved ineffective as the minimal amount of data held is inadequate to enable the delivery of an efficient and cost effective property management service.

Cumbria County Council have purchased a new property management system (Atrium) and it is envisaged that other authorities can use the system as part of a shared service facility, allowing all users to access each other's data (subject to permissions and restrictions). Although CCC outlaid a major capital sum to install the system, they do not intend to claw back any of that capital outlay from other users therefore reflecting significant value for money for authorities choosing this option. An alternative for CBC which would be to obtain its own property management system, with estimated costs in excess of £45,000 plus data transfer costs or to purchase a system that both property services and finance could jointly use for asset management (system and costs not yet known).

The Council is expecting to join the County Council land terrier at some point during 2012/13. However this route and alternatives will be fully investigated by the Asset Management Group, before a commitment is made.

It is expected that there will be no significant cost to link up with the portal, although a large amount of data including leases, plans and correspondence will need to be manually and electronically transferred over to the new system, which will require an additional internal/external resource.

The financial estimate of £20,000 has been based on the cost of an additional resource to complete the data transfer of the recent GIS system installation.

2. Key Deliverables

Establish an electronic database of all the Council property assets which will be linked to and contained within the County Council Property database. This will improve efficiency.

3. Project Manager and Sponsor

Barbara Green, Darienne Law

4. Budget (including size of budget, who is funding it and accountable body)

No detailed budget has been established to date, from knowledge of other systems this is likely to be in the region of £20,000.

Funded by Copeland Borough Council through the capital programme.

5. Key Project dates (including start date, key milestones, project completion date)

The County Council anticipate that the Terrier will be in a position to accept Copeland information mid 2012. The data extraction could take between 6 – 12 weeks depending on further detail and assessment.

6. Current status of project

Awaiting details from County Council, and work of Asset Management Group to be finalised.

PROJECT OUTLINE – Bid 3

Project Title: Fleet Items Replacement from 2012-13

Does the project require capital funding: Y

1. Project Description

The proposal is to replace a number of the Council's front-line vehicles used in the delivery of waste services. These vehicles were originally purchased through and dedicated to the Cleaner Safer Greener funded South Whitehaven projects. After the funding ceased, and the projects ended, the assets remained with the Council and rather than being mothballed were brought into front-line use. At the same time contracts on at least 2 leased vehicles were terminated enabling annual savings of around £25k to be realised (since 2009/10). The vehicles are an integral part of the Council's Environmental Cleansing and kerbside recycling services.

The 4 vehicles are of different types and therefore have varying expected replacement dates. All four vehicles will need to be replaced by 2015, however 2 of the 4 will be urgently in need of replacement during 2012-13 having already passed their expected working life during this year.

The alternative to outright purchase of the vehicles is to lease them through the existing contract with Translinc. This option would increase the revenue cost of the service and annual indicative figures are provided below:

The replacement profile is as follows:-

Reg No.	Make/Description	Service Area	Reg Date	Life of vehicle	Replacement date	Financial year	Capital Cost (est)	Lease & maintenance cost per annum (est)
GX56OYC	JOHNSTON SWEEPER	CLEANSING	01/09/2006	5 years	01/09/2011	2012/13	£95k	£25k
PX56VWV	CITROEN CAGED TIPPER	CLEANSING	01/09/2006	5 years	01/09/2011	2012/13	£16k	£5300
DX54GAU	IVECO split body RCV	PLASTIC & CARD RECYCLING	04/10/2004	7 years	01/04/2013	2013/14	£80k	£30k
DK57HWH	DAF220 KERBSIDE TIPPER WITH TERBERG LIFT	KERBSIDE RECYCLING	05/10/2007	7 years	05/10/2014	2014/15	£90k	£36k

2. Key Deliverables

Vehicles specified, ordered and delivered.

3. Project Manager and Sponsor

Project Manager – Janice Carrol, Waste Services Manager

Project Sponsor – Keith Parker, Head of Neighbourhoods

4. Budget (including size of budget, who is funding it and accountable body)

Capital funding of £111k is required for 2012-13. Ongoing costs will be met from existing waste revenue budgets.

The alternative option of leasing vehicles through the existing contract with Translinc would require an increase to the Environmental Cleansing budget from 2012-13 onwards of approximately £30k.

5. Key Project dates (including start date, key milestones, project completion date)

Before 1 April – Draft required vehicle specifications

1 April – Vehicles ordered

August 2012 – Vehicles commissioned.

6. Current status of project

PROJECT OUTLINE – Bid 4

Project Title: Whitehaven Townscape Heritage Initiative (THI)

Does the project require capital funding: Yes

1. Project Description

The proposed THI area is the Old Town Character Area (predominantly James Street/ Market Place and lower Swingpump Lane). This area has become marginal to the main retail and business district and experiences limited footfall. The scheme is to reconnect the fringe and core areas to ensure confidence in the economy of this part of the conservation area. The project will establish a co-ordinated integrated programme of improvements (shopfronts, facades, roofs and floorspace) and skills training as a legacy for care and maintenance of the conservation area.

There are two main links to the Council Plan - Place: enhance the local physical and natural environment and Prosperity: to support the vitality and viability of our towns and rural communities.

The lead will be Copeland Borough Council. Partners involved in the project will be the private sector businesses, civic group representatives and North of England Civic Trust who work closely with CBC on conservation planning, public engagement and regeneration projects. Other partners include Britain's Energy Coast (which will provide a financial contribution to the project) and Cumbria County Council (will co-ordinate with the THI on archives/library, culture, education, highways and other county responsibilities).

The consequences of not carrying out the project will result in further degradation of the buildings and loss of education learning and skills training.

2. Key Deliverables

Revive the dominant 'bookend' landmark building (YMCA)
Improve frontages of other properties (shopfronts, facades, roofs, curtilages)
Improve accessibility (public realm, removal of clutter)
Develop use of heritage as a resource (education, training, events, owner support)

3. Project Manager and Sponsor

Project Manager – Don Taylor, Economic Development Manager
Project Sponsor – Julie Betteridge, Head of Regeneration & Community

4. Budget (including size of budget, who is funding it and accountable body)

Copeland Borough Council is the accountable body for the project.

	Stage 2 Project costs 2013-2018
Copeland Borough Council	£250,000
Heritage Lottery Fund	£550,000
Britain's Energy Coast	£400,000
Private	£500,000
Total	£1,700,000

*Set up costs for Stage 1 from 2011-2013 are £96,000. £48,000 from CBC using existing revenue budgets and £48,000 from Heritage Lottery Fund.

This bid is requesting £250,000 for CAPITAL over 5 years (2013-2018). There are no on-going costs past the lifetime of the project.

5. Key Project dates (including start date, key milestones, project completion date)

Project Start September 2013

Project Finish August 2018

Key project milestones to be developed as part of Stage 1 application.

6. Current status of project

Expression of Interest submitted to Heritage Lottery Fund 28.09.11.

Stage 1 Application deadline for Heritage Lottery Fund 30.11.11

CAPITAL PROJECT OUTLINE 2012/13 – Bid 5

Project Title: Development Management: e-access

Does the project require capital funding: Y

Does the project require revenue funding: N

1. Project Description

Increased document scanning to facilitate e-access implementation within the development management process will require an additional resource as it will otherwise impose too great a burden on the reduced technical/admin. support staff. A part time post/secondment would suffice.

2. Key Deliverables

e-access will greatly improve public engagement with the planning process – a shortfall which has been highlighted in a recent customer satisfaction survey.

3. Project Manager and Sponsor

Tony Pomfret, Development Control Manager

4. Budget (including size of budget, who is funding it and accountable body)

Implementation of the Headway MIS software system across Development Control, Building Control and Land Charges already has full budget approval. This request represents an "add-on" at an estimated cost of £10,000. Reduced staffing arrangements as a result of the Planning Assistant securing alternative employment within the Council, commencing 1 November 2011, and job share of the Technical Support Officer's post with Building Control commencing 1 April 2012 will result in salary savings totalling £11,299 in 2010/11 and a further £39,212 in 2012/13, inclusive of on-costs.

5. Key Project dates (including start date, key milestones, project completion date)

Target date for installing e-access software is January 2012 with a "go-live" date of April 2012.

6. Current status of project

MIS system as presently operational is working well.