

Report considered by Cabinet – 20 February 2007

Key Decision	Yes
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document	Capital Strategy 2006-07 to 2008-09

CAPITAL PROGRAMME 2007-08 TO 2011-12

Accountable Cabinet Member: Councillor Crooks

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1. Purpose

- 1.1 To present to Cabinet the Capital Programme for 2007-08 to 2011-12.
- 1.2 To outline the funding issues arising in 2007-08 and future years.
- 1.3 To ask Cabinet to recommend to Council that they approve the recommendations outlined in paragraphs 2.1 to 2.2 below.

2. Recommendations

- 2.1 That the references and resolutions from the January meetings of the Environment and the Corporate Policy Development Committees to the Capital Programme 2007-08 to 2011-12, attached at **Annex D**, be noted.
- 2.2 That the Council be recommended to approve:
 - (a) The Capital Programme for 2007-08 as set out in **Annexes A1 to A7** amounting to £128.094m.
 - (b) The financing of the Capital Programme for 2007-08 as set out at paragraph 3.15 and **Annex B**.
 - (c) That the capital reserve is set at £3.45m during 2007-08 to be administered for the prudent management of the authority's financial position.

- (d) That Cabinet be authorised, once the programme has been set, to approve new capital schemes, and variations to existing schemes, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.

3. **Issues and Choices**

The Capital Programme and the Council's Corporate Priorities

- 3.1 Project appraisals have been completed for all 2007-08 capital programme bids, and continuation schemes have previously been agreed through the project appraisal process. The project appraisal demonstrates how each scheme will contribute to the Council's corporate priorities and manifesto commitments, and to statutory duties and legal commitments, partnership working, performance indicators, service strategies and plans, equalities, other corporate initiatives, national priorities and targets, and environmental impacts. These factors are all taken into account in formulating a proposed capital programme that, within the resources available, will best target the Council's corporate priorities.

Capital Programme

- 3.2 The Capital Programme for 2007-08 to 2011-12 is attached at **Annex A**. The programme is made up of continuation schemes for which approval has already been given; additions and variations to the 2006-07 capital programme to be approved and included on a report on this agenda; new bids for 2007-08 starts for which financing has been identified; and outline proposals for future year starts. **Annex A** is structured as follows:

- (a) A1 – Summaries
- (b) A2 – Chief Executives
- (c) A3 – Environment
- (d) A4 – Learning and Development
- (e) A5 – Neighbourhood – General Fund
- (f) A6 – HRA
- (g) A7 – Funded from 'unallocated pot'

- 3.3 Project appraisals have been submitted for all capital programme bids for new starts in 2007-08. Officers maintain a file of all signed project appraisals and copies of individual appraisals are available to any member of the Council on request.

- 3.4 Bids for future year starts have been put forward in outline only, and these are included in the programme for planning purposes. Project appraisals will be completed for these bids during the year preceding the proposed start, and Council will decide which bids will be agreed for inclusion in the programme in the preceding February or March of each year.
- 3.5 Potential slippage from 2006-07 has not been included in the programme on the basis that any slippage that does occur will be fully funded from resources also brought forward from 2006-07. Cabinet will be advised of the 2006-07 slippage position, and its impact on the 2007-08 capital programme, at their July meeting, following the closure of the 2006-07 accounts.
- 3.6 Bids for 2007-08 that remain un-financed due to lack of resources do not form part of the programme presented to Cabinet.
- 3.7 Capital Programme Reports 2007-08 to 2011-12 were taken to the Environment and the Corporate Policy Development Committees in January and February 2007. The references and resolutions from these Committees are attached at **Annex D**. The remaining Policy Development Committees chose not to receive a report on the proposed capital programme.

2007-08 Funding Issues

- 3.8 The Council's capital funding strategy was set out in the Capital Strategy 2006-07 to 2008-09 agreed by Cabinet on 26 September 2006. The main points are as follows:
 - (a) 90% of Supported Capital Expenditure (Revenue) Single Capital Pot Element (ie the supported borrowing allocation) is earmarked to the relevant service.
 - (b) 10% of Supported Capital Expenditure (Revenue) Single Capital Pot Element (ie the supported borrowing allocation) is used to fund schemes from across the programme at Members' discretion.
 - (c) The top-slicing of 10% of single capital pot borrowing approvals from individual service blocks to fund schemes from across the programme at the discretion of members is subject to review on an annual basis.
 - (d) A briefing note outlining the implications of alternative applications of the 10% unallocated pot to the following years programme is distributed to Cabinet Members in December each year to assist the decision making process.
 - (e) Prudential borrowing is considered as a capital funding source only where the revenue costs of borrowing can be met from within existing budgets, or from revenue savings or income streams arising from the proposed project.
 - (f) General Fund capital receipts are not allocated or committed prior to receipt, unless inextricably linked to a specific project.

- (g) General fund capital receipts received during the year will be added to the unearmarked general fund capital reserve and taken into account as a funding source for the following financial year, subject to revenue budget considerations – i.e. debt financing budget implications and the appropriate level of reserves.
 - (h) The only call on the unearmarked general fund capital reserve during the year is for unforeseen emergency capital works that cannot be financed from alternative sources. Agreement will be through the normal channels – that is the submission of a project appraisal or variation to Cabinet, or through the delegated decision process if applicable (for instance for reasons of urgency).
 - (i) Separate reserves are maintained for each of the service blocks specifically to allow unspent monies to be carried forward to support known shortfalls in future year commitments in the ongoing programme (such as the Education school building programme).
 - (j) 100% of all forecast and actual HRA useable capital receipts are earmarked for HRA capital expenditure to meet the decent homes target.
 - (k) In line with the statutory requirement, the Major Repairs Reserve (MRR) is entirely earmarked for HRA capital expenditure on the Council's housing stock.
- 3.9 Hypothecated funding - i.e. funding linked directly to a specific scheme or service area – is allocated 100% to the relevant scheme or service. This includes supported borrowing linked to specific schemes or government initiatives, grants, third party contributions, parking income and revenue contributions.
- 3.10 Each block is therefore able to fund their programme up to a cash limit. The continuation costs of schemes begun in 2006-07 and prior years, will take priority over new starts. The appropriate Cabinet Members have recommended which 2006-07 starts should be prioritised within their service block to meet the cash limit (see **Annexes A2 to A6**).
- 3.11 It is proposed that:
- (a) The “unallocated pot”, created by top-slicing 10% of single capital pot borrowing approvals from individual service blocks, is used to fund priority schemes for inclusion in the agreed programme (**Annex A7** refers).
 - (b) As part of the funding of the programme, £1m uncommitted capital receipts has been added to the 10% unallocated pot to fund schemes from across the programme.

- (c) That the capital reserve is set at £3.45m during 2007-08 to be administered for the prudent management of the authority's financial position. This reserve is made up as follows:

	£m
Available capital resources	2.479
Loan to Radcliffe School	0.966
Total	3.445

This is the absolute minimum requirement and it is anticipated that reserves will be increased over the next 2-3 years as part of the medium term plan process.

- (d) In order to deliver several major schemes a further £3.388m of prudential borrowing is proposed for new schemes starting in 2007-08. This includes provision for office refurbishment and capital works linked to revenue budget savings.

3.12 Amounts of capital funding planned to be brought forward from 2006-07 as follows:

- (a) £0.060m supported borrowing allocation separate programme element for the Neighbourhood General Fund.
- (b) £0.532m capital reserve will be carried forward to fund capitalisations in 2008-09.

3.13 The value of the total proposed capital programme is 128.094m, as set out in the following table.

Directorate	£m
Chief Executives	0
Environment	45.852
Learning and Development	59.762
Neighbourhood – General Fund	0.283
HRA	12.556
Funded from unallocated pot	9.641
Total	128.094

- 3.14 The above programme is made up of continuation schemes for which approval has already been given, additions and variations to the 2006-07 capital programme to be approved and included on a report on this agenda and bids for future year starts which have been put forward in outline only, and are included in the programme for planning purposes.
- 3.15 The table below outlines the way the capital programme will be funded in 2007-08.

Funding source	£m
Government supported borrowing allocations (SCE (R))	34.323
Capital reserve b/fwd	1.310
Capital receipts	17.786
Major Repairs Allowance	7.628
Other government grants	40.233
Third party contributions	14.595
Revenue contributions	3.131
Prudential borrowing	9.088
Total	128.094

- 3.16 **Annex B** shows the financing position for 2007-08 in more detail.
- 3.17 **Annex C** shows the financing projections for the full five-year period from 2007-08 to 2011-12, and identifies the funding gap for each year from 2008-09. Members will agree a fully funded capital programme in the February or March prior to the start of each future year.
- 3.18 It is proposed that a funding surplus of £5.906m in 2007-08 mainly made up of supported borrowing in the Education school build capital programme, will be carried forward to fund the funding gap in 2008-09. This is an estimated surplus at present as there may be further adjustments required in finalising the 2007-08 Education school build capital programme.
- 3.19 It is proposed that a funding surplus of £0.343m in 2007-08 made up of supported borrowing in the Transport capital programme, will be allocated to fund additional schemes that will be brought forward at a later date. This is an estimated surplus at present as there may be further adjustments required in finalising the 2007-08 Transport capital programme.
- 3.20 It is proposed that a funding surplus of £0.110m in 2007-08 made up of supported borrowing in the Neighbourhood General Fund capital programme,

will be allocated to fund additional schemes that will be brought forward at a later date. This is an estimated surplus at present as there may be further adjustments required in finalising the 2007-08 Neighbourhood General Fund capital programme

- 3.21 The unfunded bids from the current year have not been included in the future year forecasts, but may be re-bid for in next year's budget round.

4. Implications

4.1 Policy

The approval of the capital programme 2007-08 forms part of the annual budget setting process, and if approved the programme will become a policy document.

4.2 Resources and Risk

Members are required to agree a balanced capital programme. The programme at **Annexes A2 to A7** is fully funded and will meet this obligation.

Yes	Capital	Yes	Revenue	No	Accommodation
Yes	IT	Yes	Medium Term Plan	No	Asset Management

4.3 Legal

A number of the schemes in the programme are necessary to fulfil the Council's legal or statutory obligations. The legal and statutory issues relating to each scheme are set out in the individual project appraisals.

4.4 Other implications:

Other implications may arise in relation to specific capital schemes. These are addressed in the individual project appraisals.

No	Equalities/Diversity	Yes	Sustainability	No	Human Rights
No	E-Government	No	Stakeholders	No	Crime & Disorder

4.1

Background Papers

- (i) Report to Cabinet 26 September 2006 – Capital Strategy 2006-07 to 2008-09
- (ii) Report to Cabinet 6 February 2007 – Capital Programme 2006-07 – Position at 30 November 2006.
- (iii) Report to Cabinet 20 February 2007 – Capital Programme 2006-07 – Position at 31 December 2006.

- (iv) Report to Cabinet 20 February 2007 – Council Wide Revenue Budget 2007-08 to 2009-10
- (v) Report to Cabinet 20 February 2007 – Capital Programme 2006-07 Monitoring – Position at 31 December 2006
- (vi) Report to Environment Policy Development Committee 23 January 2007 – Capital Programme 2007-08 to 2011-12
- (vii) Report to Corporate Policy Development Committee 1 February 2007 – Capital Programme 2007-08 to 2011-12
- (viii) Project Appraisals