



CABINET REPORT

Report Title

CAPITAL PROGRAMME 2010-11 TO 2012-13

AGENDA STATUS:

PUBLIC

Cabinet Meeting Date: 24 February 2010

Key Decision: YES

Listed on Forward Plan: YES

Within Policy: YES

Policy Document: Capital Strategy

Directorate: Finance & Support

Accountable Cabinet Member: David Perkins

Ward(s) Not Applicable

1. Purpose

1.1 The purpose of the report is to:

- To present the Council's Capital Strategy for 2010-11 to 2012-13
- To present the proposed capital programme for 2010-11.
- To outline the capital programme funding proposals for 2010-11 and future years.
- To ask the Cabinet to recommend to Council that they approve the recommendations in paragraph 2 below.

2. Recommendations

- 2.1 That the Cabinet recommend to Council that they approve
- a) The draft capital strategy for 2010-11 to 2012-13, as set out in Annex A.
 - b) The capital programme for 2010-11, including future year commitments, as set out in Annex B.
 - c) The capital financing principles to be applied in 2010-11, as set out in the Capital Strategy (Annex A) pages 29-31
 - d) The proposed financing of the capital programme for 2010-11 and future years, as set out at paragraphs 3.2.12 and Annex C.
 - e) That Cabinet be authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes during 2010-11, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.
- 2.2 That Cabinet note:
- The contribution of each new scheme in the 2010-11 capital programme to the Council's corporate priorities for 2010-2013, as set out in Annex D.
 - The risks outlined at paragraph 4.2.

3. Issues and Choices

3.1 Report Background

The Financial Position

- 3.1.1 The Council is facing an extremely challenging financial situation in the short to medium term.
- 3.1.2 The funding for capital expenditure is closely linked both to revenue funding in relation to borrowing costs and Minimum Revenue Provision (MRP) charges, and the difficult economic situation, for example in relation to its ability to generate capital receipts.
- 3.1.3 The past 12 months has seen a period of continued national economic instability. This has had specific repercussions locally.
- 3.1.4 The impact on the housing market has had the effect of reducing income levels – Right to Buy sales have significantly reduced, and buyers are difficult to secure for other types of property, particularly at the right price. This will have an impact on the availability of capital receipts to fund capital expenditure.
- 3.1.5 Some grant funding has also been affected where grant-awarding bodies are being forced to tighten their belts.
- 3.1.6 The capital programme put forward for approval for 2010-11 is therefore considerably more constrained than in previous years.

Building the Capital Programme.

- 3.1.7 Project appraisals have been completed for all 2010-11 capital programme bids.
- 3.1.8 Each project appraisal demonstrates how the scheme will contribute to:
- The Council's corporate priorities.
 - Statutory duties and legal commitments
 - Partnership working
 - Performance indicators
 - Service strategies and plans
 - Equalities
 - Other corporate initiatives
 - National priorities and targets
 - Environmental impacts.
- 3.1.9 These factors are all taken into account in formulating a proposed capital programme within the resources available, that will best target the Council's corporate priorities.
- 3.1.10 Officers maintain a file of all project appraisals and copies of individual appraisals are available on request.

3.2 Issues

The Capital Strategy

- 3.2.1 The proposed Capital Strategy for 2010-11 to 2012-13 is attached at Annex A. This updates the Capital Strategy for 2009-10 to 2011-12 approved by Council on 26 February 2009.
- 3.2.2 Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the development of the Council's services.
- 3.2.3 The Government expects each local authority to produce a capital strategy. The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans.
- 3.2.4 The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.
- 3.2.5 The strategy covers both the present position and future plans - the former setting the context for the latter. It also includes an action plan for future improvements. The capital strategy also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy.
- 3.2.6 The strategy includes the Council's capital funding strategy for 2010-11.

3.2.7 Members of the public were consulted on the draft Capital Strategy through the focus groups held in January and February 2010. Overall the groups agreed with the approach taken in the strategy. Specific comments made by the focus groups can be found in the consultation results in the Corporate Plan 2010-13 report elsewhere on this agenda.

Capital Programme

3.2.8 The proposed capital programme for 2010-11 to 2012-13 is attached at **Annex B**. The programme is split between General Fund (GF) and Housing Revenue Account (HRA) schemes, and is made up of:

- Continuation schemes from 2009-10;
- New bids for 2010-11 starts;

3.2.9 The value of the total proposed capital programme for 2010-11 is £25.490m, as set out in the following table.

Capital Programme 2010-11	£m	£m
General Fund		
Continuations from prior years	4,839	
New bids supported by project appraisals	4,740	
		9,579
Housing Revenue Account (HRA)		
Continuations from prior years	13,361	
New bids supported by project appraisals	2,550	
		15,911
Total		25,490

3.2.10 The table below shows details of the new start changes to the programme since the 16th December 2009 Cabinet report.

Appraisal Ref	Scheme Title & Reason for Change	2010-11 £k	2011-12 £k	2012-13 £k
General Fund				
2010-11/GF10	Beckets Park (removed due to external funding not agreed)	-60	-525	-525
2010-11/GF32	Gates Jeyes Jetty (removed due to external funding not agreed)	-30		
2010-11/GF24	Fire Risk Assessment (final figure for project)	-9		
2010-11/GF33	Carparking Centralisation of Pay on Foot (additional scheme to deliver spend to save in revenue)	55		
The following 3 projects grant funding is classed as Revenue; therefore they have been removed from the Capital Programme.				
2008-9/GF061	Out of School Hours Play Activities	-1.4	-2.3	
2008-9/GF062	Holiday Play	-3.4	-1.4	
2008-9/GF064	Innovative Play Days	-0.6	-0.2	
2010-11/GF11	Public Realm for Abington Street and Market Square (£100k of project is Feasibility/design and is Revenue, so capital expenditure starts in 2011/12)	-100		
2010-11/GF12	Market Square Lighting (now 2009/10 as approved by Cabinet)	-280		
	GF Total Changes	-429.4	-528.9	-525
HRA				
2010-11/HRA7	HCA Challenge Fund Round 2 Bid (NBC new build) (removed, bid not successful)	-955		
	HRA Total Changes	-955		

The programme now reflects all 2009/10 proposed changes including slippage as at Cabinet for 10/02/10.

3.2.11 Details of the individual schemes can be seen in Annex B & E.

2010-11 Funding Issues

3.2.12 The table below outlines how it is planned to fund the proposed capital programme in 2010-11.

Funding source	GF	HRA	Total
	£m	£m	£m
Supported Borrowing		0.500	0.500
Prudential Borrowing	5.631		5.631
Capital Receipts		0.520	0.520
Major Repairs Allowance		9.089	9.089
Grants & Third Party Contributions	3.448	0.358	3.806
Revenue Contributions	0.500	5.444	5.944
Total	9,579	15,911	25,490

*Please note any differences are due to rounding's

3.2.13 A more detailed breakdown of the funding assumptions for the next three years is set out at **Annex C**

The Capital Programme and the Council's Corporate Priorities

3.2.14 **Annex D** sets out how the new bids for 2010-11 starts in the proposed capital programme contribute to the Council's corporate priorities for 2010-2013.

3.3 Choices (Options)

- 3.3.1 Cabinet are asked to recommend to Council that they approve the recommendations at paragraph 2.2.
- 3.3.2 Cabinet may propose changes to the capital programme in consultation with the Chief Financial Officer.
- 3.3.3 Cabinet may propose changes to the Capital Strategy in consultation with the Chief Financial Officer.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The capital programme is set in the context of the Council's Capital Strategy. The proposed Capital Strategy for 2010-11 to 2012-13 is attached at **Annex A**.

- 4.1.2 The approval of the 2010-11 capital programme, forms part of the annual budget setting process, and if approved the programme will become a policy document.

4.2 Resources and Risk

- 4.2.1 Members are required to agree a balanced capital programme. The 2010-11 programme shown in **Annex B** is fully funded, as set out at **Annex C**, and will meet this obligation.
- 4.2.2 The revenue implications of each scheme included in the proposed capital programme for 2010-11 have been included in the revenue budget proposals for 2010-11 and future years. This includes debt financing budget impacts arising from prudential borrowing to support the programme.

It is proposed that unsupported (prudential) borrowing of £5.6m will be used to support the proposed capital programme in 2010-11. This will create a revenue commitment for interest payments in 2010-11 and a revenue commitment in for principal and interest in future years. The value of the principal element will vary in line with the new MRP (Minimum Revenue Provision) regulations, and an estimate has been provided for this, and for the interest repayments in the Council's debt-financing budget.

- 4.2.3 The following two schemes are reliant upon the receipt of a large proportion of external funding, that has yet to be confirmed. There is therefore a risk that these schemes will not be delivered if the external funding is not received.

Scheme Reference & Description	Scheme Narrative	Total Scheme £K	External Funding £k
2010-11/BGF8 Northampton Townscape Heritage Initiative	This project will undertake Historic shop front renewal, building improvements and renovate vacant floor space above the retail units in Gold Street and the entrance to the Market Square. The overall objective of the scheme is to create a sense of place and a Northampton identity based on the collective historic character of the town. The project will undertake essential works to buildings in need of improvements to ensure the building can be used to its full potential. The project will also aim to bring back character to individual buildings, which has been lost through unsympathetic modifications.	2,048	1,898
2010-11/BGF11 Public Realm for Abington Street and Market Square	The project is to develop a design for public realm for Abington Street and the Market Square. The work will create a network of well-designed public space where the streets, alleys, squares and green spaces will provide a sequence of public spaces that will accommodate a rich variety of activity making, walking and cycling through the town.	6,000	5,700

- 4.2.4 Each scheme will be subject to risk assessment and risk management in respect of both financial and non-financial aspects of the project. This is the responsibility of the project manager. Risks around the financing of the capital programme are monitored by the Finance Manager (Capital & Treasury) and any emerging issues are reported to the Council's Chief Financial Officer (the Director of Finance and Support).

4.3 Legal

- 4.3.1 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 and managed by the project manager through the project risk registers.

4.4 Equality

- 4.4.1 An initial screening has been undertaken for the Capital Strategy. This indicated that there were no specific equalities impacts relating to the strategy itself. A copy of the initial screening is included at Annex F.
- 4.4.2 Each completed capital project appraisal includes responses to the following questions:
- State specifically the equalities issues that have been identified that this project will address?
 - How will this project address the equalities issues that have been identified?
- 4.4.3 Project Managers are also required to provide the name of the person responsible for completing the Equalities Impact Assessment for the specific project and the dates by which that will be completed.
- 4.4.4 Appropriate completion of the Equalities Impact Assessment process is a condition of approval for each scheme in the capital programme.
- 4.4.5 The project manager is responsible for ensuring that issues identified in the Equalities Impact Assessment are appropriately addressed in the implementation of the capital scheme.

4.5 Consultees (Internal and External)

- 4.5.1 Members of the public were consulted on aspects of the draft capital programme through the general consultation on the budget, and on the draft capital strategy through focus groups held in January and February 2010. The outputs of this consultation can be found in the annex to the Corporate Plan 2010-13 elsewhere on this agenda.
- 4.5.2 Consultations are undertaken in respect of individual schemes within the programme, and these are explained in the project appraisals.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 See paragraph 3.2.14 and **Annex D**

4.7 Other Implications

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

4.7.2 List of Annexes

- Annex A Capital Strategy.
- Annex B Capital Programme 2010-11 to 2012-13 & 2009-10 Continuation Schemes.
- Annex C 2010-11 Forecast of Capital Financing
- Annex D 2010-11 Capital Programme and the Council's Priorities
- Annex E Details of the nature and purpose of 2010-11 new starts.
- Annex F EIA Capital Strategy initial screening.

5. Background Papers

5.1 Cabinet Reports

- 16 December 2009 – Capital Programme 2010-11 to 2012-13
- 10 February Capital Programme 2009-10 position as at end of December 2009
- 24 February 2010 - Corporate Plan 2010-13

5.2 Equalities and Human Rights Commission

- The Public Sector Equality Duty and Financial Decisions.

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