

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2009/10 - 2012/13		
<b>DATE OF DECISION:</b>	1 <sup>ST</sup> FEBRUARY 2010 17 <sup>TH</sup> FEBRUARY 2010		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES & WORKFORCE PLANNING PORTFOLIO		
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#### **STATEMENT OF CONFIDENTIALITY**

Appendix 4 to this report is not for publication by virtue of Category 3 (Information relating to the financial or business affairs of any particular person including the Council) of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the Council's Constitution. It is not considered to be in the public interest to disclose this information because this Appendix contains confidential and commercially sensitive information relating to the potential funding sources for the Sea City Museum Scheme and the financial impact of certain possible options upon other parties and the Council's financial position. Given the commercial sensitivity of this information, in that its disclosure could adversely impact upon the parties and the Council's negotiating positions and therefore have an adverse impact on the parties and the Council's financial position, it is considered that the public interest in withholding this information at this time is greater than the public interest in disclosing it.

#### **SUMMARY**

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 16<sup>th</sup> September 2009. This report also outlines the way in which the revised programme has been funded reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £33.4M.

#### **RECOMMENDATIONS:**

##### **CABINET**

##### **Recommends that Full Council**

- (i) Approve the revised General Fund Capital Programme and use of resources;
- (ii) Add an additional £2.0M to the Resources and Workforce Planning programme for Repairs and Maintenance backlog to be funded by unsupported borrowing;

- (iii) Add an additional £270,000 to the Adult Social Care and Health programme for essential Health and Safety works and equipment replacement at Care Homes to be funded by unsupported borrowing;
- (iv) Add an additional £2.660M to the Environment and Transport programme for the replacement of the cremators to be funded by £1.742M of unsupported borrowing and £918,000 of direct revenue financing both of which are funded from increased cremation charges;
- (v) Add an additional £312,000 to the Economic Development programme for feasibility studies and programme management to be funded by unsupported borrowing;
- (vi) Adds £13.585M to the Leisure Culture and Heritage Capital Programme for the balance of funding for the Heritage Centre Scheme the funding for which is explained in this report
- (vii) Notes the transfer of £1.7M from the programmed maintenance budget to the ASAP Accommodation project in order to better co-ordinate works throughout the Civic Centre.
- (viii) Approves the over programming of £7.1M as detailed in paragraph 11.

## **COUNCIL**

### **It is recommended that Council**

- (i) Approve the revised General Fund Capital Programme and use of resources;
- (ii) Add an additional £2.0M to the Resources and Workforce Planning programme for Repairs and Maintenance backlog to be funded by unsupported borrowing;
- (iii) Add an additional £270,000 to the Adult Social Care and Health programme for essential Health and Safety works and equipment replacement at Care Homes to be funded by unsupported borrowing;
- (iv) Add an additional £2.660M to the Environment and Transport programme for the replacement of the cremators to be funded by £1.742M of unsupported borrowing and £918,000 of direct revenue financing both of which are funded from increased cremation charges;
- (v) Add an additional £312,000 to the Economic Development programme for feasibility studies and programme management to be funded by unsupported borrowing;
- (vi) Add £13.585M to the Leisure Culture and Heritage Capital Programme for the balance of funding for the Heritage Centre Scheme the funding for which is explained in this report
- (vii) Notes the transfer of £1.7M from the programmed maintenance budget to the ASAP Accommodation project in order to better co-ordinate works throughout the Civic Centre.

- (viii) Approve the over programming of £7.1M as detailed in paragraph 11.

## REASONS FOR REPORT RECOMMENDATIONS

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

## CONSULTATION

2. The General Fund Capital Programme update summarises additions to the capital programme since September 2009. Each addition to the capital programme has been subject to the relevant consultation process at the time. The content of this report has been subject to consultation with Finance Officers from each portfolio.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the Budget setting process.

## DETAIL

### THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved. The Latest Programme figures include additions to the programme which are subject to approval of the specific recommendations.

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Later Years £000	Total £000
Latest Programme	61,765	83,172	38,817	23,652	10,636	218,042
Sept 2009 Programme	70,101	59,641	27,566	0	27,293	184,601
Variance	(8,336)	23,531	11,251	23,652	(16,657)	33,441

5. The above table shows that the General Fund Capital Programme has increased by £33.4M. With the exception of changes requiring approval detailed in this report's recommendations, all of the increase has been previously approved by Council, Cabinet or under delegated authority. The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme £000	Previous Programme £000	Total Change £000
Children's Services	58,160	51,555	6,605
Economic Development	12,978	12,701	277
Environment and Transport	47,587	42,846	4,741
Adult Social Care and Health	3,687	3,239	448
Housing and Local Services	25,623	20,697	4,926
Leaders Portfolio	0	0	0
Leisure, Culture & Heritage	40,707	26,761	13,946
Resources & Workforce Planning	29,300	26,802	2,498
<b>TOTAL GF CAPITAL PROGRAMME</b>	<b>218,042</b>	<b>184,601</b>	<b>33,441</b>

## **CAPITAL RESOURCES**

6. The resources which can be used to fund the capital programme are as follows:
- Supported Borrowing
  - Unsupported Borrowing
  - Capital Receipts from the sale of HRA assets
  - Capital Receipts from the sale of General Fund assets
  - Contributions from third parties
  - Central Government Grants
  - Grants from other bodies
  - Direct Revenue Financing raised from Council Tax payers or balances
7. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing and Local Services Portfolio.

## **CHANGES IN AVAILABLE RESOURCES**

8. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2009:

	£000
Unsupported Borrowing	3,199
Capital Receipts	2,280
Contributions	12,041
Capital Grants	14,699

Car Parking Surplus	(200)
Direct Revenue Financing from Balances	496
Direct Revenue Financing from Portfolios	1,614
<b>Total Change in Available Resources</b>	<b>34,129</b>

9. The main reasons for the resource changes are detailed in Appendix 3. However, it should be noted that resource assumptions in respect of Disabled Facility Grants and other Private Sector Housing grants are based on officer forecasts and that allocations for future years will not be known until after the capital programme has been approved. Should these allocations be less than anticipated it will be necessary to review the amounts in the programme or consider alternative funding sources.

### OVERALL USE OF RESOURCES

10. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Later Years £000	<b>Total £000</b>
Children's Services	16,819	29,277	8,523	3,509	32	<b>58,160</b>
Economic Development	8,327	2,929	0	0	1,722	<b>12,978</b>
Environment and Transport	20,130	21,172	5,233	1,052	0	<b>47,587</b>
Adult Social Care and Health	1,862	1,825	0	0	0	<b>3,687</b>
Housing and Local Services	6,824	8,100	5,673	4,736	290	<b>25,623</b>
Leisure, Culture & Heritage	4,088	8,276	11,048	8,703	8,592	<b>40,707</b>
Resources & Workforce Planning	3,715	11,593	8,340	5,652	0	<b>29,300</b>
<b>TOTAL GF CAPITAL PROGRAMME</b>	<b>61,765</b>	<b>83,172</b>	<b>38,817</b>	<b>23,652</b>	<b>10,636</b>	<b>218,042</b>

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Later Years £000	<b>Total £000</b>
Financing:						
Supported Borrowing	8,763	6,840	6	0	0	<b>15,609</b>
Unsupported Borrowing	18,936	12,608	1,423	2,954	2,035	<b>37,956</b>
Capital Receipts	12,242	6,674	6,365	3,001	20,580	<b>48,862</b>
Contributions	3,470	9,161	9,612	3,382	1,278	<b>26,903</b>
Capital Grants	17,400	31,200	9,801	11,174	1,724	<b>71,299</b>
Car Parking Surplus	0	0	200	0	0	<b>200</b>
Direct Revenue Financing from Balances	1,579	1,174	498	0	0	<b>3,251</b>
Direct Revenue Financing from Portfolios	2,541	3,882	336	133	0	<b>6,892</b>
<b>Total Financing</b>	<b>64,931</b>	<b>71,539</b>	<b>28,241</b>	<b>20,644</b>	<b>25,617</b>	<b>210,972</b>
<b>Surplus/(Deficit)</b>	<b>3,166</b>	<b>(11,633)</b>	<b>(10,576)</b>	<b>(3,008)</b>	<b>14,981</b>	<b>(7,070)</b>

11. The table above shows that following the latest update of the capital programme there is deficit of £7.1M due largely to the loss of capital receipts. At this stage rather than make large scale changes to the existing programme for what it is hoped is a short term problem, it is recommended that the Council 'over programme' on the basis that in future years the position will recover. It is felt that this position is still prudent as the Council has decided not to proceed with a number of major land sales due to the current economic climate, the value of which more than covers the current level of over programming.
12. The table also shows that there is deficit funding in the early years of the programme and whilst it is anticipated that slippage in spending and new sources of capital funding will become available to cover this, Council in September approved delegated powers to prudentially borrow to cover any in year deficit if required
13. The proposed capital programme in this report contains five major items for approval :-
- The addition of £2M in 2012/13 to further fund the backlog of Repair and Maintenance within the Resources and Workforce Planning programme to be funded from unsupported borrowing, which will be used for works in the Magistrates Court and Art Gallery.
  - The addition of the full Heritage Centre / Sea City Museum Scheme, taking the provision up to the estimated cost of £15M as set out in previous Cabinet and Council reports.
  - The addition of £270,000 for Health and Safety works and equipment replacement in Care Homes within the Adult Social Care and Health programme to be funded by unsupported borrowing.
  - The addition of £2.66M to fund the replacement of the cremators within

the Environment and Transportation programme to be funded by £1.742M unsupported borrowing and £918,000 of direct revenue financing both of which are funded from increased cremation charges.

- The addition of an extra £312,000 for feasibility studies and programme management for major sites in the Economic Development programme to be funded by unsupported borrowing. At this stage only the costs in 2010/11 are being added. The feasibility studies in question being:

Town Depot - £90,000

Royal Pier - £150,000

College Street - £50,000

Capital Funded Programme Management Posts - £22,000

These changes are explained in more detail below.

14. The phasing of the prudential borrowing means that additional revenue costs of £223,000 will need to be taken into account in setting the budgets from 2011/12 onwards.
15. Taking all of these issues in to account means that the biggest individual deficit is £11.6M in 2010/11. However, analysis of previous programmes has shown that there has been on average a minimum level of slippage of £15M per annum and therefore based on the current profile of the programme it is anticipated that the over programming can be contained.
16. It is therefore proposed at this stage to manage the deficit in individual years through slippage in the programme, which will be monitored carefully throughout the year although delegated powers do exist to prudentially borrow in the event of a deficit in any particular year. The overall deficit of £7.1M in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts.
17. The main changes in the capital programme are outlined in paragraph 13 above, and some of these schemes have been subject to separate reports to Cabinet or Council in recent months. The following paragraphs outline in more detail the changes that have been made.

### **CHANGES TO THE PROGRAMME**

18. An additional £2.66M has been added to the Environment & Transport portfolio for the replacement of the cremators. This is funded by £1.742M of unsupported borrowing and £918,000 of direct revenue financing both of which are funded from increased cremation charges. Cabinet approved spend on this scheme on the 21<sup>st</sup> December 2009 subject to Council approval of its addition which was given on the 20<sup>th</sup> January 2010.
19. A recommendation to approve the addition of £312,000 to the Economic Development portfolio is included within this report. This additional expenditure is for feasibility studies and programme management for major projects as outlined in paragraph 13 and is funded by unsupported borrowing at a revenue cost of £23,000 per annum. This is a continuation of previous funding that has been allocated to progress these key sites in the City but due to restrictions on capital funding provision is only being made one forward year at a time.

20. A recommendation to approve the addition of £270,000 to the Adult Social Care & Health portfolio is included within this report. This additional expenditure is for essential health and safety work and equipment replacement at care homes and is funded by unsupported borrowing at a revenue cost of £20,000 per annum. There is an ongoing need to provide equipment and undertake essential works to the City's care homes which was previously met by annual supported borrowing approvals given by the Government. However these have now dropped to such a low level it has been necessary to add additional resources to ensure that minimum standards are maintained.
21. A recommendation to approve the addition of an extra £2.0M to the Resources & Workforce Planning portfolio is included within this report consistent with previous years. This funding together with provisions from previous years is being used to progress two major pieces of work. Approximately £1.2M is needed to undertake works within the magistrates court block which were not included in the ASAP accommodation project as it was unclear how this building was going to be used in the future. Now that the Heritage Centre scheme is progressing these works will be essential in order to complete all of the necessary improvements to the building. A further £1.9M is needed for essential works to the Art Gallery Roof and Air Handling Unit.
22. It should also be noted that other funding for planned maintenance of £1.5M has been transferred to the ASAP Accommodation project in order to better co-ordinate the spending on maintenance within the different phases of this project. This will ensure that works are planned more effectively and should avoid any duplication, or unnecessary expenditure.
23. This report also seeks to add the full £15M for the Heritage Centre Scheme. The capital programme agreed in September last year included £1.4M for initial feasibility and design fees associated with a new Heritage Centre, some of which has been funded from Heritage Lottery Funding following initial approvals for the scheme. A bid has been submitted to the HLF for the full £5M grant funding towards the total scheme costs of £15M and this will be decided by the HLF in March this year.
24. In order to underline the Council's commitment to the scheme, the full cost of £15M is recommended to be added to the capital programme as part of this report. The funding for which is made up of £5M grant from the HLF, £5M of sponsorship and fundraising and £5M as a contribution from the City Council.
25. The £5M Council contribution is added to the capital programme as a committed and funded project and the details of the potential funding sources are contained in Confidential Appendix 4. The Council is currently pursuing a number of possible funding sources which are included in the appendix in confidence due to the commercial sensitivities of the parties involved.
26. At Full Council on 18<sup>th</sup> November 2009 it was unanimously agreed that "Council welcomes that all political parties in this Chamber support the delivery of the cultural quarter and see it as essential for the continued regeneration of the city. In order to ensure that the cultural quarter is delivered with the support of all relevant stakeholders, Council endorses the Executive's decision to suspend from the forward plan the proposed sale of art. The Council calls on the Executive to continue investigating alternative sources of funding."



It has therefore been assumed that art sales can make no contribution to the scheme.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

27. As set out in the report details.

### **Revenue**

28. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the General Fund Revenue Budget report elsewhere on the agenda. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

### **Property**

29. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

### **Other**

30. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

31. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

### **Other Legal Implications:**

32. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, and the Race Relations (Amendment) Act 2001 and other associated legislation.

## **POLICY FRAMEWORK IMPLICATIONS**

32. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since September 2009 Capital Update
3.	Major Reasons for Changes in Capital Resources
4.	Confidential Appendix for Heritage Centre Funding

**Documents In Members’ Rooms**

1.	None
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**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The General Fund Capital Programme 2008/09 to 2011/12 as approved by Council on 16th September 2009.	
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**Background documents available for inspection at:**

**KEY DECISION?** YES

<b>WARDS/COMMUNITIES AFFECTED:</b>	The Capital Programme affects all wards in the City.
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