

DECISION-MAKER:	COUNCIL
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2010/11 TO 2013/14
DATE OF DECISION:	14 SEPTEMBER 2011
REPORT OF:	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE PORTFOLIO
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF 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 in February 2011. 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 £30.6M.

RECOMMENDATIONS:

It is recommended that Council

- (i) Approve the revised General Fund Capital Programme (which totals £250.0M as detailed in paragraph 4) and the associated use of resources.
- (ii) Approve the over programming of £8.1M as detailed in paragraph 11, which is within the previously approved tolerances.
- (iii) Add £3.9M to the Environment & Transport capital programme in 2011/12 for the following works to be funded by government grants (LTP Settlement):
 - Highways Maintenance - £1,845,000
 - Integrated Transport - £2,027,000
- (iv) Note that £1.6M has been transferred from the scheme for Repairs & Maintenance to the Accommodation Strategy (ASAP scheme) within Resources capital programme under powers delegated by Council.
- (v) Add £2.9M to the Resources capital programme, to be phased £1.6M in 2011/12 and £1.3M in 2012/13, for the Accommodation Strategy (ASAP scheme) to be funded by revenue.
- (vi) Add £550,000 to the Resources capital programme, to be phased £250,000 in 2011/12 and £300,000 in 2012/13, for the demolition of surplus redundant buildings at the old Town Depot to be funded by revenue.
- (vii) Delegate authority to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, Leisure & Culture to add a further £100,000 to the Resources capital programme for the demolition of surplus redundant buildings at the old Town Depot if required to be funded from revenue, bringing the total scheme up to a maximum of £650,000.

- (viii) Add £250,000 to the Leader's capital programme in 2011/12 for the demolition of the Eastpoint centre to be funded by revenue.
- (ix) Delegate authority to the Chief Financial Officer, following consultation with the Leader of the Council to add a further £100,000 to the Leader's capital programme for the demolition of the Eastpoint centre if required to be funded from revenue, bringing the total scheme up to a maximum of £350,000.
- (x) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and 2012/13.

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.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. 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 (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme since February 2011. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the key role played by Capital Boards and the developing use of the Council's project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

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 includes additions to the programme which are subject to approval of the specific recommendations.

	2010/11	2011/12	2012/13	2013/14	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	90,596	103,446	31,720	9,327	14,931	250,020
Feb 2011 Programme	99,174	82,330	17,157	4,950	15,853	219,464
Variance	(8,578)	21,116	14,563	4,377	(922)	30,556

5. The above table shows that the General Fund Capital Programme has increased by £30.6M. 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. Details of each portfolio's programme for the financial year 2010/11 and beyond are shown in Appendix 1. The change in each individual portfolio's capital programme is shown in the following table and a summary of the major variations, together with the source of funding and the Council priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme	Previous Programme	Total Change
	£000's	£000's	£000's
Adult Social Care & Health	4,551	4,161	390
Children's Services & Learning	80,568	57,538	23,030
Environment & Transport	46,910	42,770	4,140
Housing	12,911	12,586	325
Leader's	11,713	11,391	322
Leisure & Culture	41,152	40,596	556
Resources	52,215	50,422	1,793
Total GF Capital Programme	250,020	219,464	30,556

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 (DRF) 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 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 February 2011:

	£000's
Unsupported Borrowing	470
Capital Receipts	(2,172)
Contributions	62
Capital Grants	29,438
Car Parking Surplus	(14)
DRF from Balances	1,317
Contribution from Revenue	0
Direct Revenue Financing from Portfolios	2,566
Total Change in Available Resources	31,667

9. The main reasons for the resource changes are detailed in Appendix 3. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review for 2011/12 and 2012/13. This affects areas such as the roads programme within the Environment & Transport capital programme which is heavily reliant on grant funding from government each year.

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:

	2010/11	2011/12	2012/13	2013/14	Later Years	Total Years
	£000's	£000's	£000's	£000's	£000's	£000's
Adult Social Care & Health	858	3,043	162	488		4,551
Children's Services & Learning	22,956	42,774	11,901	2,436	501	80,568
Environment & Transport	17,851	22,083	6,764	212		46,910
Housing	5,257	4,871	2,301	473	9	12,911
Leader's	5,959	3,722	1,087	945		11,713
Leisure & Culture	6,352	14,714	2,094	3,571	14,421	41,152
Resources	31,363	12,239	7,411	1,202		55,215
Total GF Capital Programme	90,596	103,446	31,720	9,327	14,931	250,020

	2010/11	2011/12	2012/13	2013/14	Later Years	Total Years
	£000's	£000's	£000's	£000's	£000's	£000's
Supported Borrowing	6,840					6,840
Unsupported Borrowing	43,682	9,442	4,684	(193)	(392)	57,223
Capital Receipts	5,568	8,480	6,458	6,778	13,845	41,129
Contributions	3,371	7,987	1,867	187	2,100	15,512
Capital Grants	27,382	52,994	15,060	4,107	5,571	105,114
Car Parking Surplus	71	200				271
DRF from Balances	957	2,315	2,857			6,129
DRF from Portfolios	2,758	5,806	1,084	66		9,714
Total Financing	90,629	87,224	32,010	10,945	21,124	241,932
Surplus / (Deficit)	33	(16,222)	290	1,618	6,193	(8,088)

11. The table above shows that following the latest update of the capital programme there is deficit of £8.1M due largely to the loss of capital receipts. This can be compared to the £9.2M deficit reported in February 2011. The deficit has reduced slightly due to a number of factors including a net increase in future capital receipts and a reduction in the use of Council Resources within the Children's Services & Learning capital programme. At this stage rather than make large scale changes to the existing programme, it is recommended that the Council continue to "over-programme" on the basis that in future years the position should improve. The deficit represents 3.2% of the overall capital programme which is within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13 May 2009.
12. The overall deficit of £8.1M 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.
13. The table also shows that there is deficit funding in 2011/12 of £16.2M. However, analysis of previous programmes has shown that there has been on average a minimum level of slippage of £15M per annum which will partly offset this cashflow deficit.
14. 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, together with the potential use of delegated powers to prudentially borrow in the event of a deficit in any particular year. At the end of 2010/11 it was necessary to use these powers and £2.8M of additional temporary borrowing was carried out. It is likely that some further temporary borrowing will be required at the end of 2011/12.

15. Given the deficit in the programme and the lack of available capital resources over the past three years, additions to the programme are only considered in very exceptional circumstances. The proposed capital programme in this report contains four items for approval which are detailed below.

CHANGES TO THE PROGRAMME CONSISTENT WITH PREVIOUS POLICY DECISIONS

16. A recommendation to approve the addition of £3.9M to the Environment & Transport capital programme for highways maintenance and integrated transport is included in this report. The addition of these works to the Environment and Transport capital programme in 2012/13 is as a result of the LTP settlement for this year. The allocations will enable further maintenance projects to be implemented on the City's road and footways as well as safety, public transport and sustainability initiatives
17. A recommendation to approve the addition of £2.9M to the Accommodation project within the Resources capital programme is included in this report.
18. The Accommodation project was primarily approved to enable extensive repairs to the Civic Centre, (including stonework, steelwork, roofs, windows and services which are life expired; having been little upgrading since the 1930's), removing hazardous materials, improving energy and environmental performance of the building and upgrading the offices to make the building suitable for the medium term. The initial scheme estimate of £20M was always intended to be a provisional sum, to be reviewed towards the end of phase 1 to reflect the survey information and experience gained during that phase of the overall programme as part of opening up the building and gaining more clarity on the problems faced within the structure. The original report approved by Cabinet in February 2008, noted that "these are estimates and more information will be known when detailed surveys are done, if the costs increase an additional report will be needed at that point". A further £4.5M is to be added to this scheme of which £1.6M has been transferred from the scheme for Repairs & Maintenance to the Accommodation Strategy (ASAP scheme) within the Resources capital programme under powers delegated by Council and funding has already been identified for the remainder of £2.9M.
19. The increased estimate is £24.5M and reflects the actual issues involved with increases in construction costs arising from detailed surveys for items that were impossible to identify before works commenced. These include finding additional asbestos and resulting delays, together with related works to ensure leased buildings are vacated on time to generate savings. The revised scheme also incorporates refurbishment, IT re-cabling, additional compounds, the art restoration roof, lift repairs, previously unknown items (such as the secondary roof light and the removal of further unknown asbestos), inflation and maintains a reasonable contingency sum for the remaining phases of the programme. A report will be taken to Cabinet requesting approval to spend and further updates will be produced as necessary as each phase of the project is completed.
20. A recommendation to approve the addition of £550,000 to the Resources capital programme for the demolition of surplus redundant buildings at the old Town Depot is included in this report. In November 2009, Cabinet authorised the construction of the new City Depot at Dock Gate 20 Millbrook, and approved the capital costs of the new facility. The moving out of services from Town Depot

has already commenced and is scheduled to be complete by 31 December 2011. As part of this report it was recognised that the costs associated with running both sites until such time as the Council could secure a development partner for the redevelopment of the old Town Depot site and adjacent land for a major, leisure led, mixed use development could exceed the current budget provision for maintaining the Town Depot site.

21. An options appraisal has demonstrated that the cost of demolition and management of a vacant site is the more cost effective option than retention of the buildings for which there is a significant empty rates liability, insurance, repairs and maintenance and boarding up costs and additional security costs. The buildings are of poor quality and would be highly unlikely to attract temporary uses.
22. A feasibility study has estimated that the costs of demolition down to slab level including removal of fuel tanks plus associated site security, is within the range of £550,000 to £650,000' including asbestos removal. The addition to the capital programme is at the lower end of this range and Council is asked to delegate authority to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, Leisure & Culture to add a further £100,000 to the Resources capital programme for the demolition of surplus redundant buildings at the old Town Depot if required, to be funded from revenue, bringing the total scheme up to a maximum of £650,000.
23. A recommendation to approve the addition of £250,000 to the Leader's capital programme for the demolition of the Eastpoint centre is included in this report. In December 2009, Council approved the redevelopment of Eastpoint and as part of this authorised demolition costs which at the time were estimated at £130,000.
24. A feasibility study has estimated that the cost of demolition, including associated site security, is within the range of £250,000 to £350,000. The addition to the capital programme is at the lower end of this range and Council is asked to delegate authority to the Chief Financial Officer, following consultation with the Leader of the Council, to add a further £100,000 to the Leader's capital programme for the demolition of the Eastpoint centre if required, to be funded from revenue, bringing the total scheme up to a maximum of £350,000.
25. The biggest change from the February 2011 programme is the addition of £15.9M for the completion of the new Lord's Hill Academy within the Children's Services & Learning capital programme which was approved by Cabinet on the 17 January 2011 and is 100% grant funded from the Academies Framework Grant.
26. A number of changes to the overall programme have been approved at Capital Boards and via separate reports under delegated powers as part of the Sharepoint project management regime.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

27. Due to the current over-programming and lack of additional funding, no new initiatives, other than those outlined above as consistent with previous policy decisions are being proposed.

RESOURCE IMPLICATIONS

Capital

28. As set out in the report details.

Revenue

29. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition, any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

30. 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

31. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

33. 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

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

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KEY DECISION? Yes/No YES

WARDS/COMMUNITIES AFFECTED:	ALL
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since February 2011 Capital Update
3.	Major Changes in Capital Resources Since February 2011 Update

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	The General Fund Capital Programme 2010/11 to 2013/14 as approved by Council on the 16 February 2011.
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