



## South Lakeland District Council COUNCIL

<b>Meeting Date:</b>	15 December 2011
<b>Report Author:</b>	Sue Hill, Corporate Finance Manager
<b>Portfolio:</b>	Councillor Graham Vincent Policy, Performance & Resources Portfolio
<b>Report from:</b>	Assistant Director (Resources) & Section 151 Officer
<b>Wards affected:</b>	All
<b>Key Decision:</b>	PD11/006/Sev
<b>Forward Plan:</b>	1 November 2011 to 29 February 2012

### **2011/12 BUDGET REPORT 2012/13 to 2016/17 DRAFT CAPITAL PROGRAMME**

#### **1. PURPOSE OF REPORT**

- 1.1 This report provides details of the progress made with the updating of the five year Capital Programme and Capital Prioritisation Criteria.

#### **2. RECOMMENDATIONS**

**It is recommended that Members:-**

- 2.1 **consider the updated draft Five Year Capital Programme and funding proposals;**
- 2.2 **note that this draft Capital Programme will go out to consultation;**
- 2.3 **note that detailed Business Cases will be produced in time for inclusion of projects in the final Draft Capital Programme;**
- 2.4 **note that updated reports taking on board the consultation and further work will come back to the January and February Cabinet and Council meetings for members to consider.**

#### **3. BACKGROUND**

- 3.1 The 2011/12 Capital Programme, which represents the Council's investment in its major assets, was approved by full Council in February 2011. Minor amendments have been made to the programme to reflect the latest monitoring information, including adjustments to the Vehicle and Plant programme figures.

The latest programme approved by Council on the 27 September as amended is attached at **Appendix 1**.

- 3.2 Bids for new capital projects were invited to be submitted by 4 November 2011. The Budget Guidance provides a template which sets out the information which is required to be provided. The Assistant Directors are responsible for briefing the relevant Portfolio Holder for the service area the content of the bids concern. Detailed Business Cases will be produced for each capital project which makes up the proposed Capital Programme before the commencement of any works.
- 3.3 All bids are required to be measured against the Capital Prioritisation Criteria (CPC) set out in **Appendix 2**. The CPC poses a set of questions about how each project meets the Council's priorities, the risks arising and how Value for Money is delivered. The system for prioritising projects which was developed last year follows the Chartered Institute of Public Finance and Accountancy's best practice model. It is important that the CPC as a whole is reviewed annually so that the differing economic and financial conditions and opportunities can be reflected.
- 3.4 A meeting of the Capital Prioritisation Group (Cabinet members and the Senior Management Team) took place on 21 November 2011 with a further meeting on 2 December 2011. This Group reviewed the existing five year programme in the light of progress to date and reviewed the CPC against which new projects were measured and scored. The schedule of scored capital bids is attached at **Appendix 3**.
- 3.5 'Localism' was added to the 'Partnerships' section as a dimension to be included to reflect the new legislative requirements which are emerging and the economic impact of projects on the community. It was also agreed that more emphasis of the 'Financial' aspect is placed on the savings or income to be generated than on the reliance on external funding. This is to reflect the need to deliver savings in order to achieve a balanced MTFP, constraints posed by the economic climate and the reduced availability of external funds.
- 3.6 The housing transfer will potentially have a significant impact on the funding available to the Capital Programme. **Appendix 4** provides the detail regarding the options available.

#### **4 PROPOSALS**

- 4.1 This report provides the list of capital projects which it is proposed be added to the Council's five year Capital Programme.
- 4.2 Capital projects will only proceed if the detailed Business Case supports the initial case presented. These will be produced to be incorporated to the February Cabinet and Council meetings.
- 4.3 The review of the resources available to fund the Capital Programme is underway including a review of capital receipts. The change in the level of resources available once the Housing Transfer is implemented is significant. Detailed information regarding the Council's current levels of long term debt and investments and the Treasury Management options are provided in **Appendix 4**. The total debt owed by SLDC is £20.5m. Offset by investments the net debt is £7.4m. The HRA pays interest to the General Fund on its share of the Council's debt. It is proposed that part of the capital receipt is used to repay this part of the debt so that the interest impact on the GF is zero. This leaves approximately £5.5m of Capital Receipt to be used for either Capital Investment or to pay off further debt.

- 4.4 Revisions have been made to the current approved Capital Programme (see Table 1) both to the cost and funding side to reflect the current year end position which is forecast. At this stage the receipt from the Housing Transfer has not been included.

**Table 1**

<b>Programme Spending</b>	<b>Total £000's</b>
Totals per Programme approved 27 September Council	<b>26,708.7</b>
Rescheduling of V&P Programme	<b>732.3</b>
Other minor changes	<b>(122.0)</b>
<b>CURRENT PROGRAMME SPENDING TOTALS</b>	<b>27,319.0</b>
<b>Programme Funding</b>	
Totals per Programme approved 27 September Council	<b>(26,708.7)</b>
Rescheduling of V&P Programme	<b>(732.3)</b>
Removal of Grange capital receipt	<b>1,050.0</b>
Changes to other borrowing	<b>(928.0)</b>
<b>CURRENT PROGRAMME FUNDING TOTALS</b>	<b>(27,319.0)</b>

The main changes to the programme spending relate to the rescheduling of the Vehicle and Plant Programme over the years. A separate report on the Vehicle and Plant Replacement Programme is being drafted, as this is a significant area of expenditure, and the approved amounts will be incorporated in the final Capital Programme to be presented for approval at February Council. Other minor changes are the inclusion of the budgeted spend for the IT Replacement Reserve and the removal of a redundant recharges budget within the Resources area.

The main changes to the programme funding relate to the Vehicle and Plant changes and the removal of the budgeted capital receipt from the Grange redevelopment. This receipt is no longer available and has been replaced in the current Capital programme by additional borrowing.

Total borrowing in the current Capital Programme amounts to £8.119m, of which £5.745m relates to the Vehicle and Plant Replacement Programme. This would result in additional costs falling on the General Fund, which would worsen the deficit position in future years. The funding, however, has been completely reviewed in the light of the Housing Transfer receipts as explained in section 4.5.

- 4.5 The proposed capital projects to be added to the programme are set out in **Appendix 5** and summarised in Table 2 below, along with the potential resources which are estimated to be available from the Housing Transfer receipts. The additional borrowing in the current Capital Programme (outlined in section 4.4) is replaced by use of the Housing Transfer receipts thus relieving the pressure on the General Fund.

**Table 2**

	<b>Total All Years £000's</b>
<b>Proposed projects</b>	
Ferry Nab Redevelopment Phases 1, 2 & 3	<b>1,936.0</b>
Stock Ghyll Bridge Repairs - Rydal Rd Car Park	<b>250.0</b>
Ecclerigg Depot	<b>150.0</b>
Highgate Public Realm Improvements	<b>160.0</b>
Grange Promenade - structural repairs	<b>250.0</b>
Replacement of lighting system and chairs at the Coronation Hall	<b>60.0</b>
Castle Dairy - roof repairs	<b>250.0</b>
Replace borrowing in current Capital Programme (Appendix 1)	<b>2,373.8</b>
<b>Total proposed expenditure</b>	<b>5,429.8</b>

4.6 Capital projects in the current financial year are being closely monitored and any savings emerging will continue to be identified and reported.

## **5. ALTERNATIVE OPTIONS**

5.1 This report provides an update on the current position with regard to the preparation of the 2012/13 – 2016/17 budgets.

## **6. NEXT STEPS**

6.1 The four week public consultation process for the proposals set out in all of the Draft Budget Reports will commence after this Council meeting. The final Revenue and Capital Budgets, taking on board the consultation comments (including the Overview and Scrutiny Committees) will be considered by Members at the 23 February 2012 Council meeting. The Revenue implications of the updated programme will be incorporated to the Council's Revenue Budget, also to be considered at the December and February Council meetings.

## **7. IMPLICATIONS**

### **7.1 Financial and Resources**

7.1.1 The Financial and Resources implications form part of the report, the strategic aim being to plan for, safeguard, invest in and make the best use of the Council's major assets on a medium to long term basis in line with the updated Asset Management Plan.

### **7.2 Human Resources**

7.2.1 The staff will be responsible for delivering the programme within budget and within timescales required.

### **7.3 Legal**

7.3.1 This report enables the Council to consider and implement a balanced budget which is a statutory obligation.

## 7.4 Social, Economic and Environmental Impact

7.4.1 Sustainability is the principle behind the Capital Programme set out here, which will be further developed.

## 8. RISK ASSESSMENT

Risk	Consequence	Controls required
Failure to create an affordable five year Capital Programme	Inadequate investment in Council's assets, inability to deliver corporate priorities, failure to achieve required income growth or savings	Robust scoring of project bids against corporate priorities, considered resources allocation decisions, detailed review of the business case and revenue implications of each bid prior to commencement of the project.

## 9. EQUALITY AND DIVERSITY

9.1 An equality and diversity impact assessments of the options to be implemented will be carried out as the capital projects are firmed up.

## 10. LINKS TO THE CORPORATE PLAN AND PERFORMANCE INDICATORS

10.1 The proposals are based on requests for capital investment that recognise the need for resources to be identified for new developments in the Corporate Plan. Setting the Capital Programme within a sound budget preparation framework assists in the delivery of corporate outcomes. The Capital Programme enables the principles set out in the Asset Management Plan to be delivered.

## 11. CONCLUSION AND EXPECTED OUTCOMES

11.1 This report documents the progress to date in updating the Council's five year Capital programme. This work will ensure the Council directs its financial resources to delivering the priorities within the Corporate Plan.

## APPENDICES ATTACHED TO THIS REPORT

Appendix No.	
1	Current 5 Year Capital Programme
2	Prioritisation scoring criteria
3	Schedule of scored capital bids
4	Housing Transfer - Treasury Management Options
5	Proposed additional projects and funding

## CONTACT OFFICERS

Sue Hill, Corporate Finance Manager

Shelagh McGregor, Assistant Director (Resources) & S151 Officer

## BACKGROUND DOCUMENTS AVAILABLE

Budget Strategy report 27 September 2011 Council

Capital bid forms and supporting information

Budget working papers

## TRACKING

<b>Assistant Director</b>	<b>Portfolio Holder</b>	<b>Solicitor to the Council</b>	<b>CMT</b>	<b>Scrutiny Committee</b>
02.12.2011	02.12.2011	02.12.2011	01.12.2011	N/A
<b>Executive (Cabinet)</b>	<b>Committee</b>	<b>Council</b>	<b>Section 151 Officer</b>	<b>Monitoring Officer</b>
7.12.2011	N/A	15.12.2011	02.12.2011	02.12.2011
<b>HR Services Manager</b>				
N/A				