

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 26 JANUARY 2011

**EXECUTIVE
8 FEBRUARY 2011**

CAPITAL PROGRAMME (2011/12 – 2013/14)

1. PURPOSE OF THE REPORT

- 1.1 To approve the General Fund and Housing Revenue Account Capital Programmes for 2011/12 along with schemes identified for the following two years.

2. BACKGROUND

- 2.1 In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council is required to prepare three-year capital expenditure plans and consider the affordability of its capital investment during all the years in which it will have a financial impact on the authority.
- 2.2 The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable and in considering its programme for capital investment, the Council is therefore required to have regard to:
- Affordability, e.g. implications for Council Tax and rent levels
 - Prudence and sustainability, e.g. implications for external borrowing
 - Value for money, e.g. option appraisal
 - Stewardship of assets, e.g. asset management planning
 - Service objectives, e.g. strategic planning for the authority
 - Practicality, e.g. achievability of the forward plans

3. AVAILABLE CAPITAL RESOURCES

- 3.1 In considering the affordability of the Council's capital plans, the authority is required to consider all of the resources currently available to it and estimated resources for the future.
- 3.2 Together with money from the Council's own capital receipts and capital reserves, the annual capital programme is financed from; Government grants, Section 106 monies, partnership funding and other external grants and contributions. If necessary, the Council may borrow to supplement these funds.
- 3.3 Under the prudential capital finance system, individual authorities are responsible for deciding the level of their affordable borrowing. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.
- 3.4 The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. A report to the Executive setting out the Council's Prudential Indicators will be presented at the February meeting along with the overall budget.

3.5 *General Fund Available Resources*

The Council will carry forward no unapplied General Fund capital receipts into 2011/12 as the unapplied capital receipts were fully utilised by the 2009/10 capital programme and the Council now needs to borrow in order to achieve the programme. Appendix 1 sets out the use of the resources available in respect of the General Fund.

3.6 Based broadly upon the assumption that 70% of the Capital Programme will be spent in the financial year it is approved, it is forecast that the Council will have to continue to use borrowing for capital purposes.

3.7 In previous year's the Council has received support for private sector housing improvements from the Government's Regional Housing Pot which enabled the authority to set its budget at a level which was financed 100% from that grant. However, grant assistance ceases from 2011/12 and it is up to each authority to determine the level of programme which will have to be financed from authorities own resources.

3.8 A sum of £400,000 has been included in the proposed programme in each year from 2011/12 to cover the estimated expenditure required to meet the City's mandatory obligations to support energy efficiency measures and other improvements to private sector housing (based on the existing level of demand).

3.9 A borrowing requirement of £21.9 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The current revenue cost of borrowing is approximately £66,000 for each £1 million that is borrowed which is historically low. The affordability of the General Fund capital programme is ultimately decided by the incremental impact of capital investment decisions on the Council Tax.

3.10 *Housing Revenue Account Available Resources*

The capital programme for 2011/12 will be funded from the Major Repairs Allowance, Revenue Contribution, any capital receipts generated in the period and use of part of the HRA working balance. Appendix 2 sets out the use of the resources available in respect of the HRA.

3.11 Based upon the medium term financial plan it is projected that borrowing will not need to commence until 2013/14 for HRA capital purposes, at which point the borrowing costs will have an incremental impact on housing rents.

3.12 *Council House Building Programme Available Resources*

Wave One of the Council House Building Programme is nearing completion. The programme is being funded from grant funding from the National Affordable Housing Programme through the Homes and Communities Agency, budget transfer from the Council's Affordable Housing Programme and borrowing. The borrowing will be funded from within the rental stream of the new properties.

3.13 The funding schedule for the programme is attached at Appendix 3.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The proposed capital programme is set out in Appendix 4. The table below sets out the total of new capital bids included within the three-year capital expenditure plans for Executive to consider for approval:

Status	2011/12 £	2012/13 £	2013/14 £	Future Years £
Pre-approved schemes	7,521,210	1,874,260	951,000	681,000
New bids	1,216,000	100,000		
Total General Fund Capital Programme	8,737,210	1,974,260	951,000	681,000

4.2 The capital programme has been set out in line with the Exeter Vision themes, in order to demonstrate how the Council's capital priorities help to contribute towards their achievement. Although a number of schemes contribute to the achievement of more than one vision theme, they have been placed under the theme to which it is considered the scheme contributes the most.

4.3 Details of the new capital bids are set out below, in order to provide an indication of how the Council seeks to further its capital investment.

4.3.1 *An Accessible City*

It is proposed that funding is made available to enhance the provision of mapping and information for visitors to Exeter City Centre; to continue to enhance the competitiveness of the city centre in relation to other centres in the region.

4.3.2 *An Electronic City*

The proposed programme for the next financial year includes provision to continue with the programmes to replace and upgrade the Council's PC's and enhance and upgrade the corporate network infrastructure, and to increase server and storage capacity to meet the current and predicted demand.

Budget provision is also sought to implement security controls to strengthen prevention of the disclosure of restricted and sensitive information and provide information assurance. This will ensure compliance with requirements for connection to the Government secure internet. Such connections will increase as more Government agencies are available online and connect to that network.

4.3.3 *A Cultural and Fun Place to be*

It is proposed that funding be made available to continue the Council's programme of improving the city's parks, to build on the work of previous years, which has seen a significant increase in the appreciation and use of parks.

The programme will provide for a range of further improvements including the upgrading of paths and structures within parks and open spaces, and the renewal of fencing and paths and landscaping improvements to neighbourhood parks.

Other proposed schemes include:

- The next phase of the programme to replace allotment toilets
- The reroofing of St Katherine's Priory, to safeguard the structure and install insulation to modern standards, thereby reducing carbon emissions.
- Improvements to Cowick Barton changing rooms: replacing external paving, and repairing external walls and flashings to the rooflight.

4.3.4 *A City Where the Environment is Cared For*

Funding is requested for a range of environmental improvements to Cowick Street including enhancements to St Thomas Centre frontage (including tree planting, de-cluttering and a new recycling area), together with general enhancement to Cowick Street through co-ordinated street furniture and tree planting. This scheme is being undertaken following the development of detailed design with the Steering Group comprising community members, ward councillors and portfolio holder.

Funding is also requested for the provision of three green waste shredders, which will reduce the carbon footprint and improve operational efficiency, and in so doing adhere to reduced volume capacity at the green waste tip.

4.3.5 *Achieving Excellence in Public Services*

It is proposed that funding be made available to allow for the continuation of the Council's vehicle replacement programme to ensure that a safe and reliable fleet is maintained.

Funding is also required for works to Verney House arising from the stock condition survey. Replacing the roof covering will maintain the integrity of the office accommodation. As scaffolding will be a significant part of the cost, it is also appropriate to undertake external decorating at the same time.

Budget provision is also sought to replace the existing franking machine which is at the end of its life.

5. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

5.1 For 2011/12, the medium term financial plan provides for a capital programme of £6,734,270, including slippage from 2010/11 of £1,130,000. A copy of the HRA Capital Programme is attached at Appendix 5.

5.2 The HRA Capital Programme will be funded by:

• Major Repairs Allowance	£3.501m
• HRA Capital Receipts	£0.993m
• HRA Working Balance	£0.499m
• Revenue Contributions to Capital	£1.741m

5.3 These resources will be utilised to improve Council dwellings so that they meet not only the Government's Decent Homes Standard but also the higher Exeter Standard, which the Council has agreed with its tenants.

5.4 In accordance with the HRA Business Plan, the capital programme is intended to meet the Decent Homes Standard by 2010 and the Exeter Standard by 2015.

6. COUNCIL HOUSE BUILDING PROGRAMME

6.1 Wave 1

The Sivell Place development has now been completed whilst Merlin Crescent is expected to be completed by 31st March 2011. The 2011/12 capital programme provides for residual expenditure in respect of this scheme of £119,160. A copy of the Council House Building Programme (Wave 1) is attached at Appendix 6.

6.2 Wave 2

The bid to the Homes and Communities Agency for Wave Two of the programme was unsuccessful. Design fees for the planned scheme were incurred in 2009/10 and 2010/11 totalling £237,799 which it is hoped to recover in future from prospective developers as part of land transfer arrangements.

7. RECOMMENDATION

7.1 It is recommended that the Scrutiny Committee – Resources supports and the Executive approves:

- The General Fund capital programme for 2011/12 as set out in Appendix 4
- The HRA capital programme for 2011/12 as set out in Appendix 5
- The Council House Building programme for 2011/12 as set out in Appendix 6

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None