

Report of Head of Finance

Capital Programme Update 2013/14 – 2018/19

1 Purpose of report

The report provides members with an overview of the capital programme process for 2014/15 – 2018/19 and an update on the 2013/14 – 2017/18 programme

2 Executive summary

This report forms part of the Council's capital strategy process and provides an update for members for the ongoing capital programme.

3 Appendices

Appendix 1 – Summary of 2013/14 – 2017/18 Capital Programme

Appendix 2 – Request for Urgent Action Lea Way CPO

4 Proposed action:

The Resources Committee is invited to resolve to:

- 4.1 Note the process for prioritising capital projects for the 2014/15 – 2018/19 programme as per section 6 of the report.**
- 4.2 Note the urgent action, detailed in section 7 of the report, taken by the Head of Planning and Development and Head of Finance.**
- 4.3 Approve the creation of a rolling capital fund for Compulsory Purchase Orders as per section 8 of the report.**

5 Background

- 5.1 The current capital programme which covers the period 2013/14 – 2017/18 was approved by Resources Committee on 20th March 2013.
- 5.2 The Committee agreed to maintain a minimum capital reserve of £5m
- 5.3 The current total capital programme is £12.9m and requires funding of £11.2m from capital reserves as detailed in Appendix 1.

6 Prioritisation of Capital Schemes

6.1 Internal and external customers have been invited to submit proposal for new capital schemes. These will be prioritised by the capital working group in November using the service assessment criteria as set out in paragraph 6.6 below. Once scored they will be separated into three schedules and reported to Resources Committee in December:

- Schedule 1 – A list of recommended schemes for inclusion into the capital programme.
- Schedule 2 – A list of schemes which, whilst desirable are not of such high priority, but do reflect the policy decisions of the Council.
- Schedule 3 – A list which will show those schemes submitted that did not score sufficiently high enough to be considered for funding at this time.

6.2 In addition to the new scheme review, projects that are currently in the waiting pool will be re-scored to establish if there have been any changes or amendments that need to be considered.

6.3 The scoring method for capital schemes comprises an assessment of the following criteria:

- a. Its contribution to delivering the PRIDE priorities
- b. The level of corporate risk that the scheme mitigates
- c. The need to do the scheme to comply with statute, health and safety requirements, DDA responsibilities or similar needs to mitigate challenge
- d. The level of external or joint/matched funding that is potentially available
- e. The favorable impact on the revenue budget or “invest to save” potential of the scheme

6.4 These criteria reflect the need to focus capital resources on projects and schemes that deliver the objectives of the authority, mitigate its major risks and provide support or reduce the financial pressures on the revenue budget. These are the key consideration to ensure that resources are focused on the primary needs of the Council.

6.5 In addition to these criteria an assessment of the deliverability risk will be undertaken for each scheme, once approved (using RAG analysis), to provide an overview of the schemes progress against targets and to identify where revisions to targets and budgets may be needed.

6.6 Guidelines for the scoring of each criterion are detailed below:

a. PRIDE priorities

No scheme can progress to full scoring unless the Head of Service is certain

that the scheme will help to deliver the PRIDE priorities and is in line with the corporate objectives of the Authority. This is the first gateway to the capital programme.

b. Corporate Risk

This score reflects the level of risk reduction that implementing the scheme will have on the corporate risks faced by the authority. Where possible the corporate risk register should be referenced. Reputation risk and business continuity risk are also considered in this section.

c. Compliance to statute and regulations

The Borough Council has obligations it must comply with both under statute in the provision of services and regulations, such as health and safety, Disability Discrimination and the requirements of the Information Commissioner.

It is essential that these duties are discharged to avoid any challenge and potential prosecution. In a similar way to the risk management framework used for the Corporate Risk register, the level of likelihood and impact of these challenges is considered and reflected in the score.

0 = No risk at all

1-3 = a low level likelihood and/or a minimal impact

3-6 = A probable likelihood and/or a medium impact

6-10 = A most likely event and/or a high level of impact

d. Funding the scheme

Where external funding or potential to share funding (and risk) to deliver the scheme is considered probable then a score subject to the level of support and the likelihood of achieving the funding is made.

0 = No funding at all, total funding by the Borough Capital Monies

1-5 = up to 50% of the funding is likely to come from external sources or the scheme is a joint project with another organisation

6-10 = A high level of funding and very likely to be achieved, up to 10 for fully externally funded schemes

e. The impact of the scheme on the revenue budget

Schemes that can demonstrate that they will mitigate pressures for the future on the revenue budget or could generate an income (Invest to save) should, in the current financial position, be encouraged.

If there is a significant effect on the revenue budget then the scheme will score 10.

If there is no effect on the revenue budget then the scheme will score 0.

Each schemes impact is assessed and a relevant score that reflects the revenue effects is given.

7 Notification of Urgent Action – Lea Way CPO

- 7.1 A further £154,500 is needed to add to the existing budget of £273,000 to allow the council to proceed with the Lea Way CPO.
- 7.2 This commitment must be in place for the public inquiry which takes place on 29 and 30 October 2013
- 7.3 Council officers continue to attempt to make contact with the landowner and their agent but without success. However, efforts to open negotiations will continue right up to the date of the inquiry
- 7.4 Harriet Townsend from Cornerstone has been appointed as barrister and NP Law to act on behalf of the Council through the Inquiry process and proceedings.

8 Compulsory Purchase Order (CPO) Capital Fund

- 8.1 A compulsory purchase order is a legal function in the United Kingdom that allows certain bodies which need to obtain land or property to do so without the consent of the owner. It may be enforced if a proposed development is considered one for public betterment; for example, if town councils wish to develop a town centre, they may issue compulsory purchase orders.
- 8.2 The use of compulsory powers in section 226(1)(a) of the Town and Country Planning Act enables the compulsory acquisition of land where an acquiring authority thinks the acquisition will facilitate the carrying out of development, redevelopment or improvement of the economic, social or environmental well-being of the authority area.
- 8.3 Once the asset is acquired it can be marketed and sold and the sale proceeds are stored as a capital receipt.
- 8.4 In the current capital programme there is one project for CPO with a budget of £300k.
- 8.5 It is recommended, to further facilitate the regeneration of the Borough, a capital holding fund to assist CPO purchases is set up. The intention would be that any sale proceeds are returned to “top up” the fund, however any receipts in excess of the original purchases price would be returned to the Council’s general capital receipts fund.

9 Capital Receipts

- 9.1 The Council's capital programme is primarily funded from capital receipts.
- 9.2 The current estimated capital receipts available to the Council are set out in Appendix 1 to the report and include the following assumptions based on previous capital funding reports:
- VAT shelter receipts are decreasing based on the information provided by Wellingborough Homes
 - Asset sales of £250k in 2013/14 and £500k each year thereafter

10 Legal powers

Local Government Act 2003

11 Financial and value for money implications

The proposed funding for the capital programme is based on the assumption that the Council will, at any one time, maintain a balance of £5 m in its capital resources available for future years.

12 Risk analysis

This table needs to be completed for any report setting out a proposed course of action that entails risks at the outset of the project or if the risks change along the way.

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Unsustainable level of capital expenditure in the medium to long term.	Depletion of capital reserves. Revenue implications not affordable Requirement to resort to borrowing and loss of debt free status.	Possible if not controlled due to reducing receipts, external grants linked with . increased demand	Robust budget planning and control.
Non-delivery of schemes once approved.	Council priorities not achieved.	This risk has already occurred in some cases.	Improved project management
Non inclusion of certain specific	Council priorities not achieved.	Possible but should be	Robust budget planning

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
projects into the capital programme	Further financial pressures.	mitigated by control measures.	control and improved project management

13 Implications for resources

- 13.1 Service officers responsible for capital schemes are accountable for identifying resources to manage and control schemes and any revenue consequences.
- 13.2 Continued depletion of reserves affects the investment return to the Council.

14 Implications for stronger and safer communities

Implications need to be considered for individual schemes.

15 Implications for equalities

Service managers are responsible for the implications of individual schemes..

16 Author and contact officer

Samantha Knowles, Principal Accountancy Manager.

17 Consultees

Liz Elliot, Head of Finance

Capital Working Group

Budget Managers

18 Background papers

Previous Capital Programme reports to Members

Capital Funding Schedule

The following table shows a breakdown of how the programme will be funded:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	Total
Approved Capital Programme	6,669	3,973	1,016	838	514	13,010
Funded by:						
Capital S106	37					37
Disabled facilities Grant	206	<i>201</i>	<i>201</i>			608
Heritage Lottery funding	325	<i>347</i>	<i>41</i>	<i>293</i>		1,006
Capital Receipts	6,101	3,425	774	545	514	11,359

Projected Capital Reserves:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Capital receipts B/f	13,142	8,441	6,266	7,192	7,897
Anticipated Capital Receipts	<i>1,400</i>	<i>1,250</i>	<i>1,700</i>	<i>1,250</i>	<i>500</i>
Use of Capital Receipts	6,101	3,425	774	545	514
Balance c/f	<u>8,441</u>	<u>6,266</u>	<u>7,192</u>	<u>7,897</u>	<u>7,883</u>

NB - Italics Estimate

<i>Wboro Homes RTB receipts</i>	<i>250</i>
<i>VAT Shelter</i>	<i>600</i>
<i>Misc capital receipts</i>	<i>550</i>
	<i>1,400</i>

REQUEST FOR URGENT ACTION

(In accordance with Section 3.4.09 Urgent Action of the Constitution)

REPORTING COMMITTEE: RESOURCES COMMITTEE

DATE OF NEXT MEETING: 30.10.13

PURPOSE OF REPORT: TO SEEK APPROVAL FOR A FURTHER £154,500 TO BE COMMITTED TO THE K010 CAPITAL BUDGET WHICH CURRENTLY HAS £273,000 FUNDING AVAILABLE. THIS WILL ALLOW THE COUNCIL TO COMPLETE THE COMPULSORY PURCHASE ORDER FOR THE SITE OF 66-74 LEA WAY, WELLINGBOROUGH. PREVIOUSLY A NEIGHBOURHOOD RETAIL PARADE, THE SITE HAS BEEN LEFT TO DETERIORATE FOR APPROXIMATELY 8 YEARS.

DESPITE A NUMBER OF YEARS ATTEMPTS AT NEGOTIATION WITH THE LANDOWNER, DISCUSSIONS HAVE BEEN UNSUCCESSFUL AND FOLLOWING COMPLAINTS FROM LOCAL RESIDENTS AND WARD MEMBERS, THE COUNCIL'S RESOURCES COMMITTEE APPROVED THE USE OF THE COUNCIL'S COMPULSORY PURCHASE POWERS ON THIS SITE IN MARCH 2012.

REASON FOR URGENCY: CONFIRMATION IS NEEDED THAT THE FINANCES ARE IN PLACE BY THE CPO INQUIRY WHICH IS DUE TO START ON 29 OCTOBER.

KEY FACTS: THE COMPULSORY PURCHASE ORDER INVOLVES THE PURCHASE OF APPROXIMATELY 0.8 HECTARES - COMPRISING 4 LOCK UP SHOP UNITS AND ONE SMALL SUPERMARKET UNIT.

THE COMPULSORY PURCHASE ORDER WILL PROPOSE THE PURCHASE OF THIS SITE BY THE COUNCIL BUT TO BE SOLD TO A DEVELOPER PARTNER FOR A RESIDENTIAL SITE.

FINANCIAL IMPLICATIONS (SEE BELOW): THE MONIES WILL BE USED TO COMPLETE THE CPO FOR LEAWAY. IT IS CURRENTLY ESTIMATED THAT THE RECEIPT FROM THE SALE OF THIS SITE WITH PLANNING PERMISSION FOR RESIDENTIAL USE WOULD COVER THESE COSTS.

THE SCHEME COULD PROVIDE 30 UNITS WHICH COULD GENERATE APPROX £60,000 IN 2015/16 AND 2016/17 FROM NEW HOMES BONUS WITH A FURTHER £200,000 OVER THE NEXT 5 YEARS, THIS IS ALREADY PROEJCTED IN THE MTFP.

SIGNATURES:

• REPORT AUTHOR:



DATE:

08/10/13

• CORPORATE DIRECTOR:



DATE:

9/10/13

• CHAIRMAN/VICE-CHAIRMAN OF COMMITTEE:



DATE:

11/10/13

IF FINANCIAL IMPLICATIONS SIGNATURE OF:

• CHAIRMAN/VICE-CHAIRMAN OF RESOURCES COMMITTEE:



DATE:

11/10/13

NB: To comply with the Constitution this signed urgent action pro forma must be attached to a report to the next meeting of the Committee concerned.