

1 Purpose of Report

- 1.1 This report presents Members with the capital financing available to the Council for the medium term together with a list of potential capital schemes.

2 Executive Summary

- 2.1 This report forms part of the Council's capital strategy process and provides the Committee with the opportunity to review the list of potential capital schemes and to note the current level of funding available.
- 2.2 The funding for the capital programme included in this report is based on the assumption that the Council will, at any one time, maintain a balance of £5 million in its capital resources available for future years.

3 Appendices

- Appendix A – Summary of Capital Resources
Appendix B – List of Capital Schemes
Appendix C – Current Capital Strategy

4. Proposed Action:

4.1 The Resources Committee is invited to RESOLVE to:

- **Agree the list of capital schemes, which will progress to the next stage of prioritisation, as per Appendix B when resources are available.**
- **Agree that officers may re-profile schemes in line with available resources.**

5 Background

- 5.1 This is the second year the Council has developed a medium term capital programme. This supports greater accuracy and certainty with the inclusion of running costs and capital charges for the use of assets, in the Council's medium term revenue forecasts.
- 5.2 Internal and external customers have been invited to submit proposals for new capital schemes, in addition to this, schemes that are currently in the waiting pool have been reviewed, to establish if there have been any changes or amendments that need to be considered. All schemes have been assessed and prioritised by the Capital Working Group using the service assessment criteria previously reported to Resources Committee.

5.3 The evaluation and scoring of capital schemes enables the Council to achieve the most from its limited capital resources. The process ensures that priority is given to those schemes that are essential, in order to meet statutory obligations of the Council or that are contractually committed following a decision of the Council. Priority will also be given to those proposed schemes that are considered to best support the Council's mission statement and PRIDE objectives

5.4 Each scheme can score a maximum of 40 in total, and a maximum of 10 under each relevant category as shown below:

a) Contribution to delivering the PRIDE objectives is an initial gateway into the capital programme and no score is allocated. Schemes that do not contribute to any PRIDE objectives do not progress further.

b) Corporate Risk - scored on a sliding scale 0 to 10 depending on the impact on the Council's corporate risk register. If there is a high impact on mitigating risk or reducing the dangers and liabilities for the Council, then a high score is allocated, if the impact is low, then a low score is allocated.

c) Health & Safety and other Statutory duties – scored on a sliding scale of 0 to 10 depending on the level of impact, with a score of 10 meaning there is a high level Health & Safety risk to the Council if the scheme were not to go ahead or other statutory requirement. A score of 0 would mean there is no risk or requirement at all.

d) External Funding – scored on a sliding scale of 0 to 10 depending on the percentage of external funding to the project as a whole. Schemes with higher values of external funding will receive a higher score. This is because the level of resources contributed by BCW is reduced, and the delivery and implementation risks of the project, is either shared with the partner or reduced as a result.

e) Revenue Consequences - schemes which result in a positive impact on the revenue budget resulting in larger cost savings will score higher than those schemes which result in either lower or no savings. Those that have a revenue cost will score 0.

5.5 Once the schemes have been scored, they are sorted into the following 3 schedules for consideration:

- Schedule 1 – a list of recommended schemes for inclusion into the capital programme that have scored highly against the above criteria.
- 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.

5.6 The full list of schemes is included in Appendix B and full project submission details are available on the Council's intranet via the link below.

http://intranet.welling.bcw/info/200157/project_management/268/capital_programme_2014-15

5.7 There are a number of schemes that require further information, to be provided by the project managers, and once received the scheme will be scored appropriately and moved into the relevant schedule.

5.8 A detailed projection has been made in respect of each of the sources of capital finance and the principal assumptions have been set out in section 7 of the report. A reduction in the capital receipts from asset sales and the VAT shelter, due to the overall economic and financial position both locally and in the country as a whole, continues to limit the capital resources available to the Council.

5.9 The information in this report is based on the previous capital budget reported and approved at Resources Committee.

5.10 The current approved capital programme has a number of capital commitments that relate to 2013-14 and future years, the details can be found in the capital monitoring report, elsewhere on this agenda.

6 Unapplied Capital Grants and Contributions

6.1 The forecast in respect of unapplied capital grants or contributions is set out in Appendix A to the report. The grants or contributions are normally given for specific purposes and can only be used for those purposes. As an example, Section 106 contributions from developers can only be used for the specific amenities and improvements stated in the Section 106 agreement.

6.2 There are also committed schemes previously approved by Resources Committee for 2013-14 and subsequent years for which additional grants will be received and applied.

7 Capital Receipts

7.1 The greatest part of the Council's capital programme is funded from the application of capital receipts. These receipts mainly arise from the following sources;

- The VAT shelter arrangement with Wellingborough Homes following the transfer of the housing stock, sales proceeds from the disposal of surplus property, plant and equipment assets – estimated at £750k each year until 2017-18.
- Asset sales – estimated at £500k each year from 2014-15 thereafter

- 7.2 As the available funding for the capital programme is limited, Appendix A shows the effect of agreeing all schemes in Schedule 1, which would breach the capital minimum reserve balance of £5m in 2014-15.
- 7.3 Therefore the schemes in Schedule 1 will need to be limited to available resources and re-profiled accordingly.
- 7.4 This would mean that only the CPO Fund / MSCP Refurb and part of the Kick Start Housing schemes could proceed in 2014-15.
- 7.5 All other schemes in Schedule 1 would need to await future resources and would be recommended for release to this Committee at such times.

8 Legal Powers

Local Government Act 2003

9 Financial and Value For Money Implications

- 9.1 The proposed funding for the capital programme included in this report is based on the assumption that the Council will, at any one time, maintain a balance of £5 million in its capital resources available for future years. This will be a continuing trend for the Council, therefore it is important to ensure that capital schemes included on the list for prioritisation represent an efficient use of the Council's reducing financial resources.

10 Risk Analysis

- 10.1 The following risks and controls have been identified.

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Unsustainable level of capital expenditure in the medium to long term.	Revenue implications not affordable; need to resort to borrowing and lose debt free status.	Possible if not controlled due to reducing receipts and external grants.	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.

11 Implications for Resources

- 11.1 Officers responsible for capital schemes are accountable for identifying resources to manage and control schemes and any revenue consequences.

Summary of Capital Resources

Appendix A

Current Capital Reserves:

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	Total
Capital Programme as per the monitoring report	6,824	3,818	1,016	838	514	13,010
Funded by:						
Capital S106	37					37
Disabled facilities Grant	206	201	201			608
Heritage Lottery funding	325	358	422	301		1,406
Capital Receipts	6,256	3,259	393	537	514	10,959

Subject to funding changes

Projected Capital Reserves:

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Capital Receipts Funding Balance B/f	13,142	8,286	4,629	4,304	5,017
Net Capital Programme current use of Resources / Capital Receipts	-6,256	-3,259	-393	-537	-514
Anticipated New Capital Receipts	1,400	1,250	1,700	1,250	500
Anticipated Use of Capital Receipts Schedule 1 as shown on Appendix B		-1,648	-1,632		
Sub Total	8,286	4,629	4,304	5,017	5,003
Current Minimum Level of Reserves	-5,000	-5,000	-5,000	-5,000	-5,000
Capital Receipts Funding Balance C/f	3,286	-371	-696	17	3

Minimum reserve level breached
Therefore Schedule 1 will need to be reprofiled
to available Resources and schemes limited.

Ref	Title	Head of Service	Corporate Risk	H&S / Statutory	External funding	Revenue consequences	TOTAL CWG Scoring	Cost 2014-15 £	Cost 2015-16 £	Cost 2016-17 £	Cost 2017-18 £	Cost 2018-19 £	Total Costs £	External or S106 £	Total cost to BCW
Schedule 1															
14-15 21	CPO Fund	Steven Wood	9	7	9	2	27	305,000	555,000				860,000		860,000
14-15 18	MSCP Refurb	Steven Wood	10	10	0	2	22	809,000	697,000				1,506,000	-	1,506,000
14-15 15	Kick Start Housing	Steven Wood	8	3	7	3	21	330,000	330,000				660,000	-	660,000
14-15 6	Disaster Recovery / Business Continuity for ICT	Gareth Jones	9	9	0	2	20	83,000					83,000	-	83,000
14-15 20	Shop Front Improvements SQL Database replacement/licensing	Bridget Lawrence	6	0	7	7	20	130,000	130,000				260,000	176,800	83,200
14-15 7	consolidation	Gareth Jones	9	9	0	0	18	50,000					50,000	-	50,000
14-15 2	Bassetts Park Skate Park	Chris Pittman / Bridget Lawrence	2	6	6	2	16	110,000					110,000	97,000	13,000
14-15 5	Town Centre CCTV Equipment replacement	Chris Pittman / Bridget Lawrence	6	6	0	3	15	15,965	8,770				24,735	-	24,735
Schedule 1 Totals								1,832,965	1,720,770	-	-	-	3,553,735	273,800	3,279,935
Schedule 2															
14-15 R1	West St/Oxford Street	Steven Wood	4	0	6	0	10	1,127,033					1,127,033		1,127,033
14-15 R2	Sheep Street/London Rd Improvements	Steven Wood	4	0	6	0	10		1,383,047				1,383,047		1,383,047
14-15 R3	Springhill Junction - Public Realm Improvements	Steven Wood	4	0	6	0	10		721,730				721,730		721,730
14-15 R4	Midland Road/Victoria St Junction	Steven Wood	4	0	6	0	10			472,716			472,716		472,716
14-15 R5	Rock Street/Jacksons Lane/Short Lane	Steven Wood	4	0	6	0	10	280,000					280,000		280,000
14-15 R6	Oxford Street/High Street Junction	Steven Wood	4	0	6	0	10		553,726				553,726		553,726
14-15 R7	Buckwell Green	Steven Wood	4	0	6	0	10		740,324				740,324		740,324
14-15 R8	Alma Road - Park Road Junction	Steven Wood	4	0	6	0	10			787,636			787,636		787,636
14-15 R9	Salem Lane Public Realm Improvement	Steven Wood	3	0	6	0	9			356,000			356,000		356,000
Schedule 2 Totals								1,407,033	3,398,827	1,616,352	-	-	6,422,212	-	6,422,212
Schedule 3															
14-15 23	Earls Barton Sports & Leisure	External	0	0	7	0	7	2,000,000					2,000,000	1,143,000	857,000
14-15 17	Tithe Barn Improvements	Bridget Lawrence	2	0	0	4	6	62,000					62,000	-	62,000
14-15 22	War Memorial Improvements	Steven Wood	3	1	2	0	6	141,000					141,000	50,000	91,000
14-15 3	Irchester Parish Skate Park	External	0	0	5	0	5	50,000	30,000				80,000	40,000	40,000
14-15 4	Irchester Parish Village Hall car park	External	0	0	5	0	5	20,000					20,000	10,000	10,000
14-15 R11	Tithe Barn Public Realm (Outside Works)	Steven Wood	0	2	1	0	3	72,500					72,500	5,000	67,500
14-15 1	Wilby Parish Council Park Climbing Equipment	External	0	0	5	0	5	8,950					8,950	-	8,950
14-15 19	Grendon village - street lighting	External	0	0	5	0	5	20,000					20,000	10,000	10,000
Schedule 3 Totals								2,374,450	30,000	-	-	-	2,404,450	1,258,000	1,146,450
Awaiting further information															
14-15 10	Croyland Park Pavilion heating system	Bridget Lawrence	0	0	0	0	Further information required	12,000					12,000	-	12,000
14-15 11	Boiler replacements	Bridget Lawrence	0	0	0	0	Further information required	40,000					40,000	-	40,000
14-15 12	Cemetery Chapel Heating	Bridget Lawrence	0	0	0	0	Further information required	10,500					10,500	-	10,500
14-15 13	Parks Footpaths	Bridget Lawrence	0	0	0	0	Further information required	30,000	30,000	30,000	30,000	30,000	150,000	-	150,000
14-15 14	TBOB window seal replacement	Bridget Lawrence	0	0	0	0	Further information required	35,000					35,000	-	35,000
14-15 16	Disabled Facilities Grant	Steven Wood	0	0	0	0	On hold	200,000	200,000	200,000	200,000		800,000	-	800,000
14-15 9	Refuse containers - new developments	John Campbell / Liz Elliott	0	0	0	0	To be discussed at liaison board	41,625	40,000	40,000	40,000	40,000	201,625	-	201,625
14-15 R10	Broad Green War Memorial Area Improvements	Steven Wood					New bid submitted - scored as above						-	-	
14-15 8	Share Point rollout	Gareth Jones	0	0	0	0	Not a capital project								
Total								5,983,573	5,419,597	1,886,352	270,000	70,000	13,629,522	1,531,800	12,097,722

**WELLINGBOROUGH COUNCIL
CAPITAL STRATEGY 2013-14 – 2017-18**

1. INTRODUCTION

- 1.1 The Capital Strategy represents an essential element within the Council's overall Corporate Planning Framework. It relates to the Council's over-riding Vision and Aims to the planning and use of its capital resources in the medium term in order to optimise the Council's ability to achieve its priorities and objectives. The strategy sets out the Council's approach to capital investment over the next five years and provides a framework through which the Council's resources, and those matched with key partners, are allocated to help meet strategic priorities
- 1.2 The Strategy is concerned with, and sets the framework for, all aspects of the Council's capital expenditure – its planning, prioritisation, management and funding. It is closely related to, and informed by, the Council's Asset Management Plan and is an integral aspect of the Council's medium term service and financial planning process as reflected in the Medium Term Financial Plan (MTFP).
- 1.3 The key aims of the Capital Strategy are to:
- set out how the Council identifies, programmes and prioritises capital requirements and proposals arising from business plans, the Asset Management Plan (AMP) and other related strategies;
 - provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the Council's Vision, Aims and Priorities;
 - consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area whilst minimising the ongoing revenue implications of any such investment;
 - identify the resources available for capital investment over the MTFP planning period; and,
 - establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of Value for Money.

2. CAPITAL PROGRAMME NEEDS AND PRIORITIES

- 2.1 The Capital Strategy complements the Medium Term Financial Strategy, the Sustainable Community Strategy and Corporate Plan as a means of ensuring that the Council's resources are aligned with its vision, aims & priorities.
- 2.2 Resources to deliver the overall vision along with aims and priorities are limited in the current economic climate. The Asset Management Plan (AMP) identifies

the total need in relation to The Council investment but consideration also needs to be given to the wider regeneration priorities .

2.3 The Council needs to comply with, the “Prudential Code for Capital Finance in Local Authorities” (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code. In the medium term the Authority is not intending to borrow to finance its capital expenditure.

2.4 The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the Council’s over-arching aims. These include:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme.
- Officer Groups which bring together a range of service interests and professional expertise. These include:
 - The Corporate Management Team (CMT) which has overall responsibility for the strategic development, management and monitoring of the capital programme;
 - The Capital Programme Working Group (CPWG) provides a corporate overview of all capital investment proposals and considers projects at the Gateway stages before schemes progress to CMT, Resources and Council for final approval;
 - The S106 Working Group which monitors spend and identifies efficient use of the S106 monies for both capital and revenue
- An integrated service and financial planning process, incorporating the corporate performance management framework. Within this framework, all proposals for capital investment are required to demonstrate how they contribute to the achievement of the Council’s aims and priorities. This includes an evaluation process for investment proposals which ensures cross-cutting appraisal of projects which are aligned to the Council’s key aims and priorities and deliver on the efficiency and value for money agendas.

3. RESOURCING STRATEGY

3.1 In general terms, the major source of capital funding available to the Council for investment in the Authority is represented by RTB and Vat shelter income. The strategy, the outcomes of which inform the Medium Term Financial Plan, is intended to consider all potential funding options open to the Council and to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFP.

3.2 The main sources of capital funding received and the strategic consideration of the Council are summarised below:

4. Central government

4.1 Grants are allocated in relation to specific programmes or projects and the Council would seek to maximise in the current economic climate such allocations, developing appropriate projects and programmes which reflect government and partnership led initiatives and agendas but address priority needs in the Authority.

4.2 The majority of planned capital expenditure currently funded by this means is to support housing

5. Third Party funding

5.1 Capital grants – these represent project specific funding for capital projects, in addition to that from central government, which is more usually received from quasi-government sources or other national organisations. In developing capital proposals the Council will always seek to maximise such external contributions, subject to any related grant conditions not being inconsistent with the Council's policy aims and targeted outcomes. Frequently such funding, which enhances the Council's investment will also be linked to match funding arrangements.

5.2 The Authority will continue to bid for future resource allocations using innovative service delivery mechanisms if necessary.

6. Private Contributions

6.1 Developer contributions – these represent contributions from developers towards the provision of public assets or facilities. Sometimes these are to mitigate the impact of their development on communities and often referred to as Section 106 contributions. These contributions are usually earmarked for specific purposes in planning agreements and can often be used for both revenue or capital work which relates to the specific purpose. The Council will also seek to implement the new Community Infrastructure Levy to support ongoing investment.

6.2 Working with partners / matched funding – the Council is committed to working with partners in the development of the Authority and its services. Various mechanisms provide opportunities to enhance the Council's investment potential with support and contributions from other third party and local strategic partners. These may range from commissioning / facilitating others to develop services in the Authority; funding for regeneration projects; and through match funding, joint funding of developments.

7. Locally generated funding

- 7.1 Prudential “unsupported” borrowing – under the Prudential Code the Council has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from within Council resources. This discretion is subject to complying with the Code’s regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable. Prudential borrowing does provide an option for funding capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing income streams. The authority is currently not considering prudential borrowing.
- 7.2 Capital receipts from asset disposal – the Council has a reasonable sized property estate. This estate is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed.
- 7.3 Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets may be used to fund new capital investment as and when received.
- 7.4 The Council will continue to maintain a policy that is aligned with the AMP of not ring-fencing the use such capital receipts to fund new investment in specific schemes or service areas, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities.
- 7.5 Capital receipts have been a significant source of finance in previous financial years. Forecasts of receipts to be received for future years in the MTFP have been revised to reflect the reducing balances of the RTB and Vat Shelter income.
- 7.6 Revenue – Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). As the Authority current has capital receipts balance, the above is not an option worth pursuing particularly with the general pressures on the Council’s revenue budget.

8. MANAGEMENT OF THE CAPITAL PROGRAMME

- 8.1 The Council reviews its capital requirements and determines its Capital Programme within the framework of the MTFP and as part of the annual budget process. Resource constraints mean that the Council continually needs to prioritise expenditure in the light of its aims and priorities and consider alternative solutions. To ensure that available resources are allocated optimally, capital programme planning is determined in parallel with the service and revenue budget planning process within the framework of the MTFP. Regular

reports will continue to be submitted to Resources that identify changes to this programme to reflect;

- New resource allocations
- Slippage in programme delivery
- Programmes reduced or removed
- Virements between schemes and programmes to maximise delivery.

