

1 Purpose of Report

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 – List of Proposed Capital Schemes 2016-17

Appendix B – List of Capital Schemes 2016-17 awaiting further information

Appendix C – Summary of Capital Resources

4. Proposed Action:

The Resources Committee is invited to RESOLVE to:

- 4.1 **Agree the list of capital schemes, which will progress to the next stage of prioritisation, as per Appendix A when resources are available.**
- 4.2 **Agree that officers may re-profile schemes in line with available resources, based on the funding schedules and scheme priorities.**
- 4.3 **Agree the release of previously approved capital funding for Kick Start Housing as detailed in Section 6.**
- 4.4 **Advise officers whether a member's review meeting is required, prior to the agreement of the full capital programme.**

5 Background

5.1 The medium term capital programme has been presented to this committee for a number of years, recently being further enhanced to support 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 The evaluation and scoring of capital schemes enables the council to achieve

the most from its finite capital resources. The process ensures that priority is given to those schemes that meet the agreed desirable outcomes. Schemes that are essential for service delivery, generate a further revenue resource, meet the statutory obligations of the council, or that are contractually committed following a decision of the council.

5.3 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 corporate criteria.
- Schedule 2 – a list of schemes which, whilst desirable are not of such high priority, but do reflect the desirable outcomes 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.

5.4 The full list of schemes is included in Appendices A and B, project submission details are available on the council's intranet via the link below.

<http://intranet.wellingborough.gov.uk/capitalprogramme>

5.5 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 9 of the report.

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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.

Disabled Facilities Grant (DFG)

DFG's are mandatory grants and are available to disabled people when work to adapt their home is deemed necessary and appropriate to meet their needs and when it is reasonable and practicable to undertake such adaptations having regard to the age and condition of the dwelling or building, if suitable alternative accommodation is not available.

DFG's are funded through the Better Care Fund which is awarded to Northamptonshire County Council, and then allocated to the district and borough councils.

In 2015-16 the grant awarded was £264k and there is no indication yet what the grant will be for 2016-17 onwards. The demand for DFG is currently exceeding

the grant available and therefore a report is to be presented to Services Committee for consideration and recommendation before progressing to the capital working group.

6 Capital Programme 2014-15 to 2018-19

- 6.1 When the 2014-15 to 2018-19 programme was presented for approval it was noted there was insufficient capital resources available to fund all the schemes identified in schedule 1, whilst maintaining the required minimum capital reserves balance of £5m. Therefore schemes were prioritised and limited to available resources and all other schemes would be recommended for release when funds were available.
- 6.2 Since this report all but one of the schemes has been incorporated within the funded capital programme; the only scheme outstanding is “Kick Start Housing”
- 6.3 There remains £291k of pre-approved funds in the existing capital programme for this scheme and as part of the review for the new capital programme the project officer has confirmed they only require £200k of these funds for future projects. The forecast has therefore been updated and £200k has been recommended for release into the capital programme in 2016-17.

7 Unapplied Capital Grants and Contributions

- 7.1 The forecast in respect of unapplied capital grants or contributions is set out in Appendix C 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.

8 Capital Financing Requirement (CFR)

- 8.1 As part of the 2014-15 capital outturn report presented to Resources Committee in June 2015 it was identified that the council had a negative CFR. The CFR is calculated to show the extent to which the Council has financed its capital expenditure from immediately available resources, such as capital receipts and grants. Where the expenditure has not been fully funded, this will create an underlying need to borrow and it is this which produces the CFR. An underlying need to borrow does not necessarily mean that there will be actual borrowing, because it may be that the Council, as part of its integrated Treasury Management Strategy, chooses to cover the financing need from its own working cash balances

- 8.2 Because it is calculated by subtracting the immediately available resources from the total amount of capital expenditure, an underlying need to borrow will however always produce a positive amount for the CFR. If the calculation were to produce a negative result, this would imply that more money had been set aside from sources such as capital receipts and grants than was needed to finance expenditure. Although relatively unusual, this can happen because of various background complexities in capital regulations and accounting requirements, but even where it happens it will typically be for only limited amounts and for a limited period.
- 8.3 An internal review was undertaken and our analysis and findings were submitted to our treasury and capital advisors, CAPITA, in order to verify our methodology and conclusion. In summary, CAPITA agreed with our analysis and confirmed this provided conclusive evidence that the negative CFR is indeed cash-backed and there is approximately £8.6m of additional funds for the council to use for capital projects.
- 8.4 Due to the material nature of the transaction, finance officers have prepared a working paper for our external auditors, KPMG, to present our recommendation on how we feel the transaction should be accounted for. KPMG are in agreement that the capital monies are available to the council for 2015-16 onwards. However, officers are still discussing the technical accounting treatment with KPMG, but it is anticipated this will be resolved before the new calendar year.
- 8.5 Once the accounting treatment has been agreed, recommendations on how to utilise the additional resources will be presented to committee in line with the capital strategy and reserves policy.

9 Capital Receipts

- 9.1 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 2018-19.
 - Asset sales – estimated at £500k each year
- 9.2 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. The capital receipts from such strategic sales are a valuable source of capital financing, but equally a proportion of these proceeds need to be invested for either revenue return or for investment in other assets that over time will increase in value and form part of future year's capital financing.
- 9.3 25% of all strategic asset sale capital receipts will therefore be transferred into a capital investment reserve in line with council policy, to be ear-marked

for reinvestment, either for investment to produce future sources of financing or to create a revenue income stream. The remaining cash receipts from the disposal of surplus assets may be used to fund new capital investment as and when received.

10 Legal Powers

Local Government Act 2003

11 Financial and Value For Money Implications

The proposed funding for the capital programme included in this report is based on the assumption that the council will, at any one time – and in accordance with the council’s capital strategy, 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.

12 Risk Analysis

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.

13 Implications for Resources

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

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

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Julie O'Connell, Service Accountant

17 Consultees

John Campbell – Chief Executive

Liz Elliott – Head of Finance

Bridget Lawrence – Head of Resources

Julie Thomas – Head of Planning and Local Development

18 Background Papers

Previous Capital Programme reports to Members

Financial Reserves and Balances Policy

Desired Outcomes	Themes	Title	Head of Service	Corporate Risk	H&S / Statutory	External funding	Revenue consequences	TOTAL CWG Scoring	Cost	Cost	Cost	Cost	Cost	Total	External	Total cost
									2016-17	2017-18	2018-19	2019-20	2020-21	Costs	or S106	to BCW
									£	£	£	£	£	£	£	£
Schedule 1																
Essential for service delivery	Asset maintenance for H&S / Compliance - operational	ICT Backup System	Phil Grimley	9	9	0	3	21	15,000					15,000		15,000
		ICT Servers	Phil Grimley	9	9	0	0	18	54,000					54,000		54,000
	Maintenance for H&S / Compliance	Bridge and Culvert Repairs	Bridget Lawrence / Julie Thomas	9	9	0	0	18	29,000	68,000	68,000	34,000		199,000		199,000
Schedule 1 Totals									98,000	68,000	68,000	34,000	-	268,000	-	268,000
Schedule 2																
To achieve policy objectives	Public Realm	West St/Oxford Street	Julie Thomas	4	0	6	0	10	1,127,033					1,127,033		1,127,033
		Sheep Street/London Rd Improvements	Julie Thomas	4	0	6	0	10		1,383,047				1,383,047		1,383,047
		Springhill Junction - Public Realm Improvements	Julie Thomas	4	0	6	0	10		721,730				721,730		721,730
		Midland Road/Victoria St Junction	Julie Thomas	4	0	6	0	10			472,716			472,716		472,716
		Rock Street/Jacksons Lane/Short Lane	Julie Thomas	4	0	6	0	10	280,000					280,000		280,000
		Oxford Street/High Street Junction	Julie Thomas	4	0	6	0	10		553,726				553,726		553,726
		Buckwell Green	Julie Thomas	4	0	6	0	10		740,324				740,324		740,324
		Alma Road - Park Road Junction	Julie Thomas	4	0	6	0	10			787,636			787,636		787,636
		Salem Lane Public Realm Improvement	Julie Thomas	3	0	6	0	9			356,000			356,000		356,000
		Broad Green War Memorial Area Improvements	Julie Thomas	3	1	2	0	6	141,000					141,000		141,000
Tithe Barn Public Realm (Outside Works)	Julie Thomas	0	2	1	0	3	72,500					72,500		72,500		
Schedule 2 Totals									1,620,533	3,398,827	1,616,352	-	-	6,635,712	-	6,635,712
Schedule 3																
To achieve policy objectives	Community / S106	Irchester Parish Village Hall car park	External	0	0	5	0	5	20,000					20,000	10,000	10,000
		Grendon village - street lighting	External	0	0	5	0	5	20,000					20,000	10,000	10,000
Schedule 3 Totals									40,000	-	-	-	-	40,000	20,000	20,000
Total									1,758,533	3,466,827	1,684,352	34,000	-	6,943,712	20,000	6,923,712

Desired Outcomes	Themes	Title	Head of Service	Corporate Risk	H&S / Statutory	External funding	Revenue consequences	TOTAL CWG Scoring	Cost 2016-17	Cost 2017-18	Cost 2018-19	Cost 2019-20	Cost 2020-21	Total Costs	External or S106	Total cost to BCW
									£	£	£	£	£	£	£	
Awaiting further information																
Essential for service delivery	Asset maintenance for H&S / Compliance -	ICT Data Store	Phil Grimley	0	0	0	0	Further information required	64,000					64,000	-	64,000
		ICT Data Centre Enhancements	Phil Grimley	0	0	0	0	Further information required	150,000					150,000	-	150,000
To achieve policy objectives	Invest to save	Street lighting upgrades to LED EITHER/OR	Julie Thomas	0	0	0	0	Further information required	46,000					46,000	-	46,000
		Street lighting for adoption EITHER/OR	Julie Thomas	0	0	0	0	Further information required	1,000	149,000				150,000	-	150,000
	Mobile Working	Phil Grimley	0	0	0	0	Further information required	50,000					50,000	-	50,000	
	Community / S106	Disabled Facilities Grant	Julie Thomas	0	0	0	0	Further information required	260,000					260,000	-	260,000
Public Realm	Town Centre Lighting	Julie Thomas	0	0	0	0	Further information required	41,000					41,000	-	41,000	
Total									612,000	149,000	-	-	-	761,000	-	761,000

Summary of Capital Resources

APPENDIX C

Current Capital Reserves:

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
Capital Reserves Funding Balance B/f	12,604	14,091	12,922	13,927	15,109	16,075
Current Capital Programme (Appendix 1)	4,919	3,494	441	-	-	-
<i>Approved June</i>	13					
<i>Approved September</i>	66					
<i>2014-15 Outturn underspend reprofiled</i>	3,526					
<i>New Programme Schemes - Pending approval</i>		240				
<i>Approved schemes awaiting further information</i>		250	-			
New capital programme -Schedule 1		98	68	68	34	-
Capital Programme	8,524	4,082	509	68	34	-
External Funding						
Capital S106	402					
Disabled facilities Grant	264	264	264			
Heritage Lottery funding	120	1,399				
	786	1,663	264	-	-	-
Current Capital Programme funded by capital reserves	7,738	2,419	245	68	34	-
Anticipated Capital Receipts						
<i>RTB , VAT Shelter & Asset Sales</i>	1,250	1,250	1,250	1,250	1,000	750
<i>Asset Held for Sale</i>	475					
<i>Other Anticipated Capital Receipts</i>	10,000					
Income transferred to Capital Investment Reserve	-2,500					
Anticipated New Capital Receipts	9,225	1,250	1,250	1,250	1,000	750
Forecast Capital Reserves Funding Balance C/f	14,091	12,922	13,927	15,109	16,075	16,825

Subject to future funding changes

NB - Italics Estimate

Forecast Capital Reserves if income not received	6,116	4,947	5,952	7,134	8,100	8,850
Minimum Capital Reserve	5,000	5,000	5,000	5,000	5,000	5,000
Available resources for capital programme	1,116	-53	952	2,134	3,100	3,850

If the forecast income from Lea Way and Wboro North are not received and the approved £450k as per comment above is released along with the proposed bids submitted (£98k), we would have a minor breach of the minimum level of reserves

