

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 2017-18

Appendix B – List of Capital Schemes 2017-18 awaiting further information

Appendix C - Key Capital Projects in development

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 **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 – none to be recommended at this time, please refer to Appendix C, Key Capital Projects in development
 - 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
- 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 8 and 9 of the report.
- 5.6 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.

6 Disabled Facilities Grant (DFG)

- 6.1 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.
- 6.2 In 2016-17 the grant awarded was £458k and there is no indication yet what the grant will be for 2017-18 onwards. DFG's are funded through the Better Care Fund (BCF) which is awarded to Northamptonshire County Council, and then allocated to the district and borough councils. There are discussions at a county level on how the BCF will be funded and utilised in the future.
- 6.3 A full review of the current DFG authorisation process is underway to identify any areas for improvement. The conclusion of the review will inform the capital working group if there is a necessity to maintain a 'bridging' budget available to allow a continuous flow of approvals. Any expenditure would then be recovered from the subsequent grant payment. An update will be included in the final capital programme report to this committee.

7 Capital Community Grants and Key projects update

- 7.1 In the report to this committee on 2 November 2016 it was suggested that a community capital grants fund be developed for implementation in the final capital programme. Officers are still working on the governance and application process for this scheme and it will be presented as part of the report to this committee in February 2017.
- 7.2 A number of large scale capital projects are currently being considered by the senior management team. These schemes mostly relate to property asset improvement or redevelopment, to either generate an income or reduce revenue costs. These schemes are still in the preliminary stages of feasibility studies and are listed in outline at Appendix C. Once further development of these schemes has been undertaken they will be presented to this committee as part of the final capital programme.

8 Unapplied Capital Grants and Contributions

- 8.1 The forecast in respect of unapplied capital grants or contributions is set out in section 9 of 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.

9 Capital Receipts and Reserves

- 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 £500k each year until 2018-19 and then reducing to £250k until 2020-21.

- 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.

9.4 A summary of the current capital programme and the anticipated level of capital reserves is summarised in the following table:

| | 2016-17 £000 | 2017-18 £000 | 2018-19 £000 | 2019-20 £000 | 2020-21 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Capital Reserves Funding Balance B/f | 17,456 | 23,602 | 21,657 | 21,839 | 22,055 |
| Capital Programme as per Agresso | 4,538 | 3,974 | 68 | 34 | - |
| <i>Schemes agreed in principal, pending further action</i> | | | | | |
| <i>Kick Start</i> | 200 | - | - | - | - |
| <i>Crematorium Contingency Budget not yet in main programme</i> | 212 | - | - | - | - |
| <i>DFG Funding approved subject to demand</i> | 95 | - | - | - | - |
| <i>Redwell 3G Pitch funding approved in principal</i> | 300 | - | - | - | - |
| Total Capital Programme Commitments | 5,345 | 3,974 | 68 | 34 | - |
| External Funding | | | | | |
| Capital S106 | 340 | - | - | - | - |
| Disabled facilities Grant | 264 | 264 | - | - | - |
| Heritage Lottery funding | 212 | 1,265 | - | - | - |
| | 816 | 1,529 | - | - | - |
| Current Capital Programme funded by capital reserves | 4,529 | 2,445 | 68 | 34 | - |
| Anticipated Capital Receipts | | | | | |
| <i>RTB , VAT Shelter & Asset Sales</i> | 500 | 500 | 250 | 250 | 250 |
| <i>Asset Held for Sale</i> | 475 | - | - | - | - |
| <i>Other Anticipated Capital Receipts</i> | 12,700 | - | - | - | - |
| | - | - | - | - | - |
| Income transferred to Capital Investment Reserve | -3,000 | - | - | - | - |
| Anticipated New Capital Receipts | 10,675 | 500 | 250 | 250 | 250 |
| Forecast Capital Reserves Funding Balance C/f | 23,602 | 21,657 | 21,839 | 22,055 | 22,305 |

10 Flexible use of Capital Receipts

- 10.1 In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.
- 10.2 The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered (2016-17 to 2018-19). Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.
- 10.3 In the report to this committee on 21 September 2016 relating to the efficiency plan it was proposed and agreed that the capital receipts received in year would be used flexibly to support transformation projects such as the IT strategy implementation.

10.4 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects, as per DCLG, include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

11 Legal Powers

Local Government Act 2003

12 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, maintains 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.

13 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 |

14 Implications for Resources

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

15 Implications for Stronger and Safer Communities

Implications need to be considered for individual schemes.

16 Implications for Equalities

Service managers are responsible for the implications of individual schemes.

17 Author and Contact Officer

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18 Consultees

John Campbell – Chief Executive

Liz Elliott – Head of Finance

Bridget Gamble – Head of Resources

Julie Thomas – Head of Planning and Local Development

19 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 |
|---|------------------|---|-----------------|----------------|-----------------|------------------|----------------------|-------------------|------------------|------------------|------------------|----------|----------|------------------|---------------|------------------|
| | | | | | | | | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Costs | or S106 | to BCW |
| | | | | | | | | | £ | £ | £ | £ | £ | £ | £ | |
| 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 |
| | | Irchester Recreation Toddler Area | External | 0 | 0 | 5 | 0 | 5 | 40,000 | | | | | 40,000 | 20,000 | 20,000 |
| | | Grendon Parish - playing field renovation | External | 0 | 0 | 5 | 0 | 5 | 25,000 | | | | | 25,000 | 12,500 | 12,500 |
| | | Great Doddington Parish - street lighting | External | 0 | 0 | 5 | 0 | 5 | 18,597 | | | | | 18,597 | 9,298 | 9,299 |
| Schedule 3 Totals | | | | | | | | | 123,597 | - | - | - | - | 123,597 | 61,798 | 61,799 |
| Total | | | | | | | | | 1,744,130 | 3,398,827 | 1,616,352 | - | - | 6,759,309 | 61,798 | 6,697,511 |

| 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 |
|--|---|---|-----------------|----------------|-----------------|------------------|----------------------|-------------------|----------------|----------------|---------------|---------------|--------------|----------------|------------------|-------------------|
| <u>Awaiting further information</u> | | | | | | | | | | | | | | | | |
| | | | | | | | | | £ | £ | £ | £ | £ | £ | £ | £ |
| To generate further revenue resources | Wellbeing and grants (to avoid revenue costs) | Disabled Facilities Grant | Julie Thomas | 0 | 0 | 0 | 0 | TBC | 260,000 | | | | | 260,000 | | 260,000 |
| To achieve policy objectives | Invest to save | Street lighting upgrades to LED EITHER/OR | Julie Thomas | 0 | 0 | 0 | 0 | TBC | 46,000 | | | | | 46,000 | - | 46,000 |
| | | Street lighting for adoption EITHER/OR | Julie Thomas | 0 | 0 | 0 | 0 | TBC | 1,000 | 149,000 | | | | 150,000 | - | 150,000 |
| | CPO / Property regeneration | J127 Private Sector Housing Grant - homelessness initiative | Liz Elliott | | | | | TBC | 60,000 | 60,000 | 60,000 | 60,000 | | 240,000 | - | 240,000 |
| | Community / S106 | | | | | | | | | | | | | | | |
| | Public Realm | Town Centre Lighting | Julie Thomas | 0 | 0 | 0 | 0 | TBC | 41,000 | | | | | 41,000 | - | 41,000 |
| Total | | | | | | | | | 408,000 | 209,000 | 60,000 | 60,000 | - | 737,000 | - | 737,000 |

There are a number of key capital projects that are in the development stage and are not ready for a full submission to committee for approval. These are mainly related to the council's property assets and feasibility studies are being undertaken on a number of them currently. The aim is to review all the property assets and their current use and to see where financial revenue benefits may be achieved by the investment of capital funds.

1. Croyland Hall and Abbey development.

The Croyland Hall and Abbey site has already been approved by members for redevelopment into residential lettings. Planning permission has been granted and now a fully costed estimate is being undertaken. The costs of development are key to the viability of the investment. Once a full cost is known a check on viability will be undertaken and project funding requested for approval.

2. The Tithe Barn

The Tithe Barn is currently only half used, mainly as a community meeting place and hall. There is also a section to the side of the main hall that is currently not used and stands empty. A high level feasibility study into the potential uses of this asset has been undertaken, which shows that one use could be a customer hub for the council. Further plans and development of this, and other potential uses, are being investigated. No cost information has been produced at present, but this will be part of the on going investigations into its use.

3. Swanspool House, Annex and Pavilion

The current offices at Swanspool House and Annex do not provide the most efficient office space for the council. Work is on going to ascertain the actual costs of running the buildings but given the current repair estimates, as part of the planned preventative maintenance programme, and the energy efficiency of the buildings, investment in them would potentially produce revenue savings for the council. Current investigations into the use of the site, including the Pavilion in Swanspool Gardens, are being undertaken.

The options for the site include the potential relocation of the council chamber to the pavilion and the removal of the extension to Swanspool house, with a new set of offices that could generate revenue rental income as well as house some of our partner organisations. The feasibility of the potential accommodation refurbishment is still in the initial stages and once options are available members will be asked for their input into any potential redevelopment of the office accommodation.

4. Tithe Barn Road Offices

The council currently occupies only a small part of the Tithe Barn Road Offices, the majority being rented out to the County Council. The County Council have been in discussion with the property team about their on going lease and options for sharing accommodation going forwards. If the offices could be vacated and all of our council and County council staff relocated, the building could be refurbished.

The potential use is likely to be a conversion to residential accommodation, with rental incomes. However, the use of the building will be reviewed in line with current market conditions and the needs outlined in the Local Plan. This project is in the initial stages of ideas generation and is dependant on a number of other projects being implemented before this project could be taken forwards.

5. The Castle Theatre

The future of the Castle Theatre is dependant on a member decision later in December 2016. It has become apparent since taking the building back that very little maintenance has been undertaken in recent years. There is a large and costly maintenance schedule that needs to be undertaken. The building is compliant for health and safety purposes but the general décor and repair need attention. As part of the decision on the future of the Castle Theatre members will need to consider the extent to which they wish to undertake any capital works to the site.

6. The Multi-Storey Car Park (MSCP)

The MSCP has for some years been in need of refurbishment. It has been part of the capital programme previously and is currently on hold pending discussion with third parties on its use. Once a definitive decision is made there is likely to be a large capital budget needed to address the refurbishment costs. It is hoped that this can be finalised before the final capital program is presented to members in February 2017.