

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 proposed 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 proposed capital schemes and agree the level of funding for the capital programme.
- 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 reserves, available for future years.
- 2.3 As part of the on going review of the capital programme and the use of capital resources the capital strategy will be reviewed and presented to this committee at a later date. This will include a comprehensive review of all proposed schemes and recommendations to members on the future inclusion or removal of schemes to the programme.

3 Appendices

Appendix A – Summary of Capital Resources

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

4. The Resources Committee is invited to RECOMMEND to:

- 4.1 **Approve the capital funding to be made available for the financial years 2017-18 to 2021-22 as per Appendix A.**
- 4.2 **Consider the list of capital schemes awaiting information as per Appendix B, and approve in principle. Schemes will then be released into the capital programme at a later date, in line with council decision making policy, as soon as the information to progress the schemes is received.**

5 Background

- 5.1 The medium term capital programme has now been presented to this committee for a number of years, and has been 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 This report reflects the previously agreed capital governance arrangements.

6 Discussion

- 6.1 There are no new schemes to be considered for this year's capital programme, however, 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. An update on these schemes was presented to resources committee on 7 December 2016.
- 6.2 It was agreed at the December resources committee to hold a member review meeting to discuss the capital programme in more detail. This meeting was held on 5 January 2017 and the following items were discussed and agreed:
- (a) Review of public realm schemes listed within schedule 2 of the capital programme and deletion of most and the transfer of the remaining 2 schemes to the "Awaiting further information" schedule.
 - (b) To update the capital strategy in order for the community capital grants project to commence and the possible governance arrangements for this scheme.
- 6.3 In previous years the process for new capital schemes is as follows:
- 6.4 New schemes are submitted by officers, in accordance with the agreed governance arrangements. In addition to this, schemes previously submitted but not yet approved, are reviewed, to establish if there have been any changes or amendments that need to be considered.
- 6.5 All schemes are assessed and prioritised, initially by the officers submitting the forms, and then by the Capital Working Group using the service assessment criteria previously reported to and agreed by Resources Committee.
- 6.6 Once schemes have been assessed by the capital working group, they are prioritised and sorted into one of the following three schedules for recommendation to committee:
- (a) Schedule 1 – a list of recommended schemes for inclusion into the capital programme that have scored highly against the above criteria.
 - (b) Schedule 2 – a list of schemes which, whilst desirable are not of such high priority, but do reflect the policy decisions of the council. These schemes will be reviewed again during the year to ensure they are still relevant to current policy and in line with the council's plans.
 - (c) 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.

- 6.7 There are a number of schemes as per Appendix B 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 to be recommended to committee. This will be reported at the next available resources committee.

7 Unapplied Capital Grants and Contributions

- 7.1 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.

8 Capital Receipts

- 8.1 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 RTB & 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.
- 8.2 There are large forecast capital receipts expected, but as there remains a degree of uncertainty around the timing of these at the date of this report the anticipated income may require re-profiling.
- 8.3 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. 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.
- 8.3 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.
- 8.4 In addition to the source of capital finance detailed above, 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.

8.5 In the report to this committee on 21 September 2016 relating to the efficiency plan it was proposed and agreed that any capital receipts received in year would be used flexibly to support transformation projects such as the IT strategy implementation.

9 Legal Powers

Local Government Act 2003

10 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, 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.

11 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.

12 Implications for Resources

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

13 Implications for Stronger and Safer Communities

Implications need to be considered for individual schemes.

14 Implications for Equalities

Service managers are responsible for the implications of individual schemes.

15 Author and Contact Officer

Samantha Knowles – Principal Finance Manager
Julie O’Connell – Accountancy Team Leader

16 Consultees

John Campbell – Chief Executive
Liz Elliott – Head of Finance
Bridget Gamble – Head of Resources
Julie Thomas – Head of Planning and Local Development

17 Background Papers

Previous Capital Programme reports to Member

Current Capital Reserves:

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000
Capital Reserves Funding Balance B/f	17,456	23,602	21,657	21,839	22,055	22,305
Current Capital Programme	8,003	509	68	34	-	-
<i>Budget reprofiling previously approved</i>	-3,465	3,465				
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					
Capital Programme	5,345	3,974	68	34	-	-
External Funding						
<i>Capital S106</i>	340					
<i>Disabled facilities Grant</i>	264	264				
<i>Heritage Lottery funding</i>	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	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	250
Forecast Capital Reserves Funding Balance C/f	23,602	21,657	21,839	22,055	22,305	22,555

NB - Italics Estimate

Forecast Capital Reserves if income not received	13,427	11,482	11,664	11,880	12,130	12,380
Minimum Capital Reserve	5,000	5,000	5,000	5,000	5,000	5,000
Available resources for capital programme	8,427	6,482	6,664	6,880	7,130	7,380

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	
	Public Realm	Broad Green War Memorial Area Improvements	Julie Thomas	3	1	2	0	6									TBC
		Tithe Barn Public Realm (Outside Works)	Julie Thomas	0	2	1	0	3									
		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	

