

Subject:	Capital Resources 2012-2015 & Capital Programme 2012/13	Status:	For Publication
Report to:	Overview & Scrutiny Management (Budget)	Date:	6 th February 2012
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	Members consider the potential resources for 2012/13 and the medium term.
1.2	Members consider the affordable capital programme for 2012/13 as set out in Appendix 1.
1.3	Members consider the additional capital programme requirements, especially the results of the recent Stock Condition Survey, in order to provide any views to Cabinet members on the prioritisation of further investment should additional resources materialise during 2012/13.

2. PURPOSE OF REPORT

- 2.1
- To provide Members with projections for the capital resources available for 2012/13 and seek member views on the capital expenditure programme 2012/13 which is to be placed before Cabinet on the 15th February in advance of the Full Council Budget Setting meeting final decisions on 29th February.
 - To advise Members of the proposed capital expenditure and resources for the medium term 2013/14 & 2014/15 and the financing issues related to future capital expenditure.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations

as set out below:

- The Council needs to ensure that it is able to generate adequate sources of capital funding to support its capital commitments over the medium term and that it does not over stretch itself in terms of borrowing exposure.
- The Council can do this by prioritising both its capital expenditure and the assets it chooses to retain over the medium term. This requires focus, not just on the immediate issue, but on those emerging in the years ahead.
- In the current economic climate there is some uncertainty surrounding the Council's ability to generate resources from the disposal of its surplus assets. With this in mind an affordable capital programme is shown within this report alongside a desirable programme should the resources become available. Regular reporting will continue be made to Members to account for any additional resources allocated to this recommended programme as and when they become available.
- Members should be aware that the affordable capital programme for 2012/13 to 2014/15 provides for minimal capital repair works and very little new investment, for example for matched funding community projects etc. Given the draft outcome of the recent Stock Condition Survey there are risks of not providing the required investment (see below).
- Members should also be aware of the potential for unforeseen events and in particular emergency works, such as those experienced in 2010/11 in relation to culvert works. In this regard further consideration will be made as to the required level of the Council's general reserves. At the time of drafting this report there is an uncommitted balance of £110k for the 2011/12 emergency works. If this is not required by year-end this resource will be carried forward into 2012/13.
- Due consideration should be given to financial resources available to community partners occupying Council assets on terms below commercial rates on the expectation, amongst other things, that partners are liable for the regular upkeep and maintenance of the asset.

5. BACKGROUND AND OPTIONS

The details of the capital programme estimates for the medium term are attached at Appendix 1.

5.1 Capital Resources

Any expenditure budget is limited to the resources available. Our assumptions for capital resources over the next three years are as follows:

5.1.1 Resources brought forward

The capital receipts reserve is reported each month in the Financial Monitoring Report and the expected balance at the year end is split into a general fund element of around £103k and housing general fund of £229k. The latter is already ear-marked to finance decent homes assistance and the equity release scheme.

The only grant balances unapplied at the year-end relate to the former Housing Capital Pot, for which there is £373k left from allocations prior to 2011/12. This grant scheme is no longer in operation but the available balance is planned to be used to tackle the waiting list for Disabled Facility adaptations.

5.1.2 Receipts from Sales

The Council's ability to raise capital receipts from land sales has been affected by the current economic downturn and its impact on the property market. During 2011/12 receipts from sales were originally forecast at £100k, but only £69k had been achieved by the end

of December. As a consequence future disposal income has again been kept to a prudent level of £100k per annum. Should any additional receipts arise they will be reported to Members through the monthly monitoring process.

5.1.3 VAT Shelter receipts

Resources also arise from the Council's ongoing partnership agreements with Green Vale Homes in particular the Council's VAT share entitlement. This receipt is treated initially as revenue and the estimate for 2012/13 is £346k, which is the amount required to fund additional pensions relating to former housing staff. Should any additional income be received then the balance is available to be used as a revenue contribution to the capital programme. For prudence no such additional income has been forecast for the medium term.

A summary of historical receipts is as follows:-

Green Vale Homes Receipts	VAT £000
Actual	
2006/07	827
2007/08	569
2008/09	809
2009/10	430
2010/11	351
	2,986
Estimates	
2011/12	328
2012/13	346
2013/14	348
2014/15	350
2015/16	350
Total	4,708
Max / Target	6,081
Variance	1,373

5.1.4 Capital Grants

The only ongoing capital grant scheme is for Disabled Facilities Grants. The Council has received written assurances that this will be maintained at current levels until at least 2014/15.

In recent years Green Vale Homes have provided an additional contribution of £200k per annum to fund disabled adaptations in ex-council house properties. However, no assurances have been received to date that similar amounts would be available beyond 2011/12.

In recent years capital grants for projects such as playgrounds have transferred to third sector bodies. Where such grant bids are successful the Council usually provides support and a delivery mechanism as well as some matched funding where absolutely necessary.

5.1.5 Contributions from third parties

Capital contributions from housing associations towards the Homecare Agency costs are not expected beyond 2011/12. Consequently spending on this project has been removed from the capital programme from 2012/13 onwards but remains an unbudgeted cost pressure for the Council.

5.1.6 Council revenue resources

Although capital resources cannot be used to fund revenue costs, the Council can, and does, fund the capital purchase of some equipment from its revenue income, either directly for the purchase (known generally as a Revenue Contribution to Capital Outlay [RCCO] or

in terms of Minimum Revenue Provision (MRP) repayments for the use of internal borrowing.

The purchase of replacement bins is partially funded by an annual contribution of £10k each year which is built into the revenue budgets. In 2013/14 this direct RCCO is expected to rise by £100k as the Vehicle Replacement Reserve is used to partially finance the replacement of the Hako street sweepers.

The remaining cost of purchasing refuse collection equipment in 2013/14 is covered by internal borrowing of £163k to be repaid by MRP.

5.1.7 Total Capital Resources

In summary the estimate of available resources for 2012/13 and future years is as follows:

Capital Resources	Prudent estimates			
	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Grants / Third Party Support				
Disabled Facilities Grants	353	353	353	1,059
Unapplied Capital Grants (b fwd)	170	170	33	373
External Support	523	523	386	1,432
RBC Receipts				
General surplus asset disposals	100	100	100	300
Funded by Revenue Contributions built into MRP	0	163	0	163
Direct Revenue Contributions to Capital Outlay	10	110	10	130
MTFS Additional Capital Contribution (subject to member approval)		100	100	200
RBC Useable Capital Receipts b/fwd - general	103	0	0	103
RBC Useable Capital Receipts b/fwd - housing	200	29	0	229
Total Capital Resources	936	1,025	596	2,557

5.2 Stock Condition Survey Results

Every five years the Council commissions a professional survey of all its primary and secondary buildings. The objective of the survey is to assess the general condition of the property and to make an estimate of the necessary refurbishment and upkeep costs over the next five years. Effectively giving a maintenance plan over the medium term. The results of the latest Stock Condition Survey are still subject to analysis and scrutiny however, the headline investment requirements are initially estimated to be £2.9m over the medium term, well in excess of our forecast resources. The annual breakdown is as follows:

Required Investments	2012/13 £000s	2013/14 £000s	2014/15 £000s	2014/15 £000s	2015/16 £000s	Total £000s
Primary sites	204.5	726.0	630.1	353.4	664.6	2,578.6
Secondary sites	145.0	139.6	127.3	11.7	105.4	529.0
Other Projects	36.5	76.5	62.3	11.4	12.1	198.7
Total	386.0	942.2	819.7	376.4	782.1	3,306.4
Full Repairing Leases	29.1	104.5	63.4	22.9	169.3	389.2
RBC Requirement	356.9	837.7	756.3	353.5	612.8	2,917.2

The reference to "Full Repairing Lease" refers to those assets leased to community groups at £Nil rentals but with the condition that the community group provides appropriate maintenance and upkeep. Members should recognise that this expenditure requirement is

not without risk.

In total the Council could be facing a capital investment requirement for its buildings of £3.3m over the medium term, which is excess of its immediate identifiable resources.

5.3 Capital Expenditure

Appendix 1 outlines the capital programme and the funding sources available for the next three years.

The capital expenditure programme builds on schemes established in previous years, concentrating on key risk issues identified through ongoing business planning, service review processes together with the results of the latest stock condition survey. The programme for 2012/13 is split between the level of investment recommended by officers if resources are available, and an affordable programme commensurate with prudent estimates of the resources expected.

The shortfall on resources for a desirable 2012/13 capital programme is estimated at £394k.

5.3.1 The Desired General Fund programme

The desired programme recommended by officers for 2012/13 includes the continuation of several maintenance and upgrade programmes which commenced some years ago. The ambition would be to continue funding these schemes, as long as resources are available:

- Playgrounds £25k pa
- Cemeteries £30k pa
- Sports Fields £45k pa
- Car Parks £30k pa
- Property Maintenance £357k pa
- War Memorials £5k pa

Following experience in recent years with liabilities arising for works to items such as culverts, bridges and retaining walls, it remains prudent to include a budget for emergency works to cover unforeseen costs. The recommended amount is £75k per annum.

Appendix 1 includes some expenditure on the replacement of Operational Vehicles in 2013/14 to be funded specifically from revenue resources as explained above.

5.3.2 Affordable General Fund Programme

The affordable programme would be around 35% of that recommended above, with some projects affected more than others. Should additional resources be made available they would be apportioned pro-rata to Operations, Regeneration and Corporate blocks.

5.3.3 Housing General Fund Programme

Housing General Fund resources and expenditure generally operate within a ring-fence. Projects are included only as far as the anticipated resources will allow. The only project expected to continue beyond 2011/12 is Disabled Facilities Grants (DFG) and officers recommend the use of the balance of the Housing Capital Grants brought forward (£373k) to top-up the DFG until funds are exhausted in 2014/15. That said, there are no formal requirements to use the Housing Capital Grant solely for housing matters.

5.4 Net position

The affordable capital programme above is set to match anticipated resources in 2012/13.

The recommended programme for 2012/13 presents a deficit against resources available of £394k. This additional expenditure would only be approved should additional capital resources become available. The position will be kept under monthly review during 2012/13 and reported to Members through the monthly Financial Monitoring Reports.

The Council's historical need to borrow, from its own internal resources, to finance its former capital projects is, as previously noted, known as internal borrowing (referred in the statutory accounts as the Capital Financing Requirement [CFR]). At the end of 2011/12 the CFR balance is expected to be £5,839k and is repaid via the Minimum Revenue Payment (MRP) which forms part of the Council's budget expenditure and which is a cost to Council Tax. The MRP for 2012/13 is £551.7k and included in the Revenue Budget.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are dealt within the report.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders.

10. CONCLUSION

10.1 That resources are available to meet the currently proposed affordable capital programme for 2012/13. However, there will need to be a continued and sustained effort to realise major capital receipts in order to finance the additional spending recommended by officers.

10.2 The deficit between capital resources and requirements over the future years looks set to continue. With severe pressures on the Council's revenue resources throughout the Medium Term Financial Strategy it is more important than ever to avoid longer term borrowing, which will have a negative impact future revenue costs.

10.3 Members views are sought on the priority of expenditure items should additional resources become available in 2012/13.

Background Papers

Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services