

WILTSHIRE COUNCIL

CABINET CAPITAL ASSETS COMMITTEE

10 January 2011

Subject: Proposed Revisions to Capital Programme

Cabinet member: Councillor Fleur de Rhe-Philippe, Finance,
Performance and Risk

Key Decision: No

Executive Summary

The report provides details on proposals to revise the capital programme following a review by officers. The review looks at deferring capital expenditure, as opposed to any cuts, with a view to deferring revenue costs.

Proposals

- a. For the proposals set out at paragraphs 9 to 23 to be accepted and the capital programme amended accordingly.
- b. For the capital programme 2011 to 2012/13, after the review, to remain unchanged and for no further new bids to be accepted to the capital programme except for the following:
 - i. New proposals brought forward for leisure and waste and approved as part of the council's budget setting process.
 - ii. Further reports on Highways and Education future spending proposals with a view to amending the approved programme.
 - iii. Any new schemes which clearly demonstrate revenue savings and have been brought to the Committee and approved.

Reason for Proposal

To allow for the deferral of revenue spend that will be reflected in the business plan, and to allow flexibility in the setting, funding and approval of new schemes in the future.

Michael Hudson

Interim Chief Finance Officer

WILTSHIRE COUNCIL

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10 January 2011

Subject: Proposed Revisions to Capital Programme

Cabinet Member: Councillor Fleur de Rhe-Philippe
Finance, Performance and Risk

Key Decision: No

Purpose of Report

1. To update the Committee on the review of the Capital Programme and put forward proposals around revisions and future additions / approvals.

Background

2. The Review has been conducted with the primary objective to defer capital expenditure, in the main funded by borrowing, so that a deferral in revenue cost of financing capital spend is also achieved. It is worth noting that this is a deferral of spend rather than a cessation.

Current Position – October 2010

	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Planned Capital Spend*	160	90	55	305
Planning Borrowing	81	48	20	149
Slippage (of which £30 million borrowing)	41	-	-	41

	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Effect of slippage				
Revised Capital Spend*	119	131	55	305
Revised Borrowing	51	78	20	149

* Does not include new leisure and waste proposals

3. The full year effect of slipping £30 million of capital schemes funded by borrowing will defer £1.3 million of revenue in the current financial year, based on repaying debt at a council average of 4.35%.
4. In reality for 2010/2011 we are yet to borrow. The council is planning to borrow £20 million in the remainder of this financial year to ensure it effectively manages its current and future cash and debt position.

5. Although £51 million is now planned, further slippage, actual cashflow and investments held have allowed no borrowing to be undertaken.
6. The capital programme, based on the above revised projection, has been budgeted for in full in the revenue business plan.

Proposals for Review

7. As previously mentioned the review is focused on looking at the deferral of schemes to enable revenue savings. However the Committee can decide to go deeper and further e.g. stopping of schemes, should it wish to. Only one proposal has led to a reduction in funds and the majority is around the potential to streamline schemes.
8. In all cases where there is deferral the scheme is still approved in the programme therefore schemes can be brought forward if required.

Workplace Transformation Programme (WTP)

9. In discussion with the Programme Director the scheme can be re-profiled so that the forecast £19 million slippage will not be required in full in 2011/12.
10. The reason for this re-profile is that the tender for works can be revised so that payments to the successful contractor can be aligned equally in instalments over the project life as opposed to making lump sum payments up front.
11. This now means the programme (office/hub) can be conducted by phasing £25 million in 2011/12 and £15 million plus the original budgeted £8 million in 2012/13. The balance of slippage, £4 million, is in relation to operational hubs and will still be required in 2011/12.
12. This re-profiling will result in £15 million not being borrowed in 2011/12 and will defer £0.6 million of revenue costs.

Other Property

12. Schemes involving property that are already, or in the future will fall, under the scope of the Workplace Transformation Programme should either be subsumed under that heading or the scheme reviewed and where necessary revised.

13. The table below lists the schemes that are affected. The programme should be reflected so that the schemes are moved to WTP.

Nos	Scheme	Budget 10/11 £m	Slippage £m	Proposal
32	DDA Works	0.198	-	Transfer to WTP
33	Highway Depot and office strategy	3.000	-	Transfer to WTP
54	Libraries, Heritage & Arts	1.188	0.444	Transfer to WTP and review
Totals		4.386m	0.444m	

Highways

14. Consequently, highways schemes should be deferred until exact funding detail for 2011/12 onwards is confirmed. Department for Transport have recently announced that highway capital spend will now be grant funded, as opposed to supported borrowing.
15. This provides the council the opportunity to replace schemes currently funded by supported borrowing with grant funding which would realise significant revenue savings as opposed to deferral.
16. Once the precise level and conditions of funding are known in detail a decision will be required as to what level of budget should be allocated for Highways in future; this has been covered in the future proposals.

Education Schemes

17. The original proposal put forward following the review had proposed that the full £5 million of identified slippage should be put into 2011/12 with subsequent years deferred by one year i.e. £4 million moved into 2012/13 and £4 million into 2013/14.
18. However, as with Highways, there has been a recent announcement with regards to future funding for schools and education capital. Therefore once the full detail is ascertained a decision will be required as to what level of budget should be allocated in future.

ICT Schemes

19. Following successful tender the new Revenues and Benefits project is now only anticipated to cost circa £1 million, against an original pre-tender budget of £1.5 million. However the new planning system budget of £0.700 million is anticipated to be inadequate

20. It is proposed to vire £0.300 million from the Revenues & Benefits project to the Planning system project, and return £0.200 million to the general capital pot.

Disabled Facilities Grant

21. The annual budget for Disabled Facilities Grant has been set in the approved programme at around the level of £3 million; however the historic annual spend on Disabled Facilities Grant is circa £2.5 million per annum.
22. The review proposes to forecast £0.535 million slippage in 2010/11, then top slice the next two years which will maintain funding at £2.5 million per annum and put the balance of funds of £1.555 million in 2013/14.
23. This would defer approximately £0.945 million capital spend deferring revenue cost of circa £0.041million.

Summary of Proposals

22. Although the review has been altered slightly in relation to the recent announcements on funding for education and highways projects, the review still delivers deferral of capital and revenue spend into later years.
23. The table below summarises the proposals following the review and the total revenue deferred.

Scheme	Deferred into 2011/12 £m	Revenue Deferred £m
WTP	15.000	0.653
ICT Systems*	0.200	0.009
Disabled Facilities Grant	0.945	0.041
Total	16.145	0.703

* Amount returned back to 'pot' not deferred.

24. In addition to the £0.703 million of revenue costs deferred, which is purely in relation to interest repayments, a further £0.022 million in 2011/12 will be generated through reductions in MRP (Minimum Revenue Provision).
25. This gives a total revenue deferral of £0.725 million from 2011/12 into 2012/13.

26. The impact of the proposals outlined would change the revised position as shown earlier in the report to be as follows:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	Totals £m
Revised spend	119	115	69	2	305
Revised borrowing	51	62	34	2	149

Future Additions and Approvals to the Programme

27. This review only considers the current approved programme 2010/2011 to 2012/2013. Consideration needs to be given to schemes for 2013/14 onwards and any new additions to the programme.
28. The proposal in this report is for the Committee to agree that no new schemes, apart from the new proposals outlined to Cabinet for Waste and Leisure and for any scheme that clearly demonstrates an on going revenue saving, to be added to the programme over and above the existing approved schemes. For clarification no Adult Care Accommodation costs are expected and are therefore excluded from the figures.
29. This will allow flexibility for the Committee to assess bids in the future from a clearer funding base without being time bound to setting a full three programme in February 2011.
30. For Highways and Education schemes, further reports should be requested to this committee to detail the future spending plans once the full funding scope has been analysed and is fully understood.

Main Consideration for the Council

31. To note the impact of the proposals on the capital programme.

Environmental Impact of the Proposal

32. No environmental impacts have been identified from this report.

Equality and Diversity Impact of this Proposal

33. No equality and diversity issues have been identified or arising from this report.

Legal Implications

34. None have been identified as arising directly from this report.

Risk Assessment

35. The risks of deferring the capital expenditure have been assessed by officers in the review. These have been taken into consideration and only the low risk proposals have been taken forward.
36. The risks have been further mitigated by the deferral as opposed to removal of schemes, thus as they remain approved in the programme should the need arise to carry out the scheme it can be brought forward.

Financial Implications

37. These have been examined and are implicit throughout the report.

Proposals

38. For the review proposals to be accepted and the capital programme amended as follows:
 - i. Re-profiling of the schemes reviewed, as outlined in the report.
 - ii. Virements of schemes to WTP, as outlined in the report.
 - iii. Virements and reduction of budget for ICT schemes, as outlined in the report.
39. For the capital programme 2011/12 to 2012/13, after the review, to remain unchanged and for no further new bids to be accepted to the capital programme except for the following:
 - i. New proposals brought forward for leisure and waste and approved as part of the council's budget setting process.
 - ii. Further reports on Highways and Education to be brought to the Committee to outline future spending proposals with a view to amending the approved programme.
 - iii. Any new schemes which clearly demonstrate revenue savings and have been brought to the Committee and approved.

Reasons for Proposals

40. The proposals allow for the deferral of capital spend which effectively manages the programme by way of re-profiling schemes and also provides a deferral of revenue cost.
41. The proposals also allow for future schemes to be added, which have been previously set out as per the priorities of the council, whilst allowing the flexibility to make further amendments and additions to the approved programme.

Michael Hudson
Interim Chief Finance Officer

22 December 2010

Report Author: Andy Brown

Unpublished documents relied upon in the preparation of this report:

- > Schedule of detailed capital programme and funding.
- > Associated officer assessments of individual projects.

Environmental impact of the recommendations contained in this report: NONE