

TRAFFORD COUNCIL

Report to: Executive

Date: 3 December 2013

Report for: Decision

Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL INVESTMENT PROGRAMME & PRUDENTIAL INDICATORS 2014/17

Summary

This report consists of two main areas for the Executive to consider :

Capital Investment Programme – This report highlights the Council's investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council's own resources. The level of resources forecasted to be available for capital investment purposes during the period 2014/17 is £71.0m.

New schemes with a value of £12.0m are recommended for approval. If agreed this would result in a total Investment Programme for 2014/17 of £72.0m.
(see Appendix 1)

Prudential Indicators – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are outlined at Appendix 3.

Recommendations

- 1) That the Executive approve the Capital Investment Programme as detailed in the report
- 2) That the Executive recommends the Council to approve the Capital Investment Programme in the sum of £72.0m for the period 2014-17
- 3) That the Executive recommends the Council to approve the Prudential Indicators as set out at Appendix 3 of this report

Contact person for access to background papers and further information:

Name: Graeme Bentley

Extension: 4336

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial Implications	Planned capital expenditure over the next 3 year period will be contained within available capital resources.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2014/17.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes are being undertaken in 2014/17 on the grounds of health and safety.

BACKGROUND

1. The capital programme includes a wide range of projects to support the delivery of the Council's objectives including infrastructure improvements required to meet specific objectives for schools, highway infrastructure, housing and assist in promoting economic growth, regeneration and creation of local jobs.
2. Capital expenditure mainly includes spending on the acquisition or improvement of physical assets or in some cases on contributions to third party owned assets. In addition it can also include other exceptional items like redundancy costs but these items need permission from the Government.
3. The level and availability of capital funding determines the size of the overall capital programme which is heavily reliant on external funding, mainly in the form of capital grants from the Government. The programme is also reliant on internal funding to deliver more local priorities like town centre regeneration, improvement in public buildings and building rationalisation programmes. These internal funds are largely in the form of capital receipts but can also include prudential borrowing and earmarked reserves. There are significant constraints on the availability of internal funds due to a finite asset base which puts pressure on delivering capital receipts from the sale of surplus assets. Borrowing tends to pay for major invest to save schemes, for example the long term accommodation project. All borrowing is done within prudential limits and needs to be affordable and sustainable. A range of indicators are maintained to demonstrate this.

2013-14 PROGRAMME

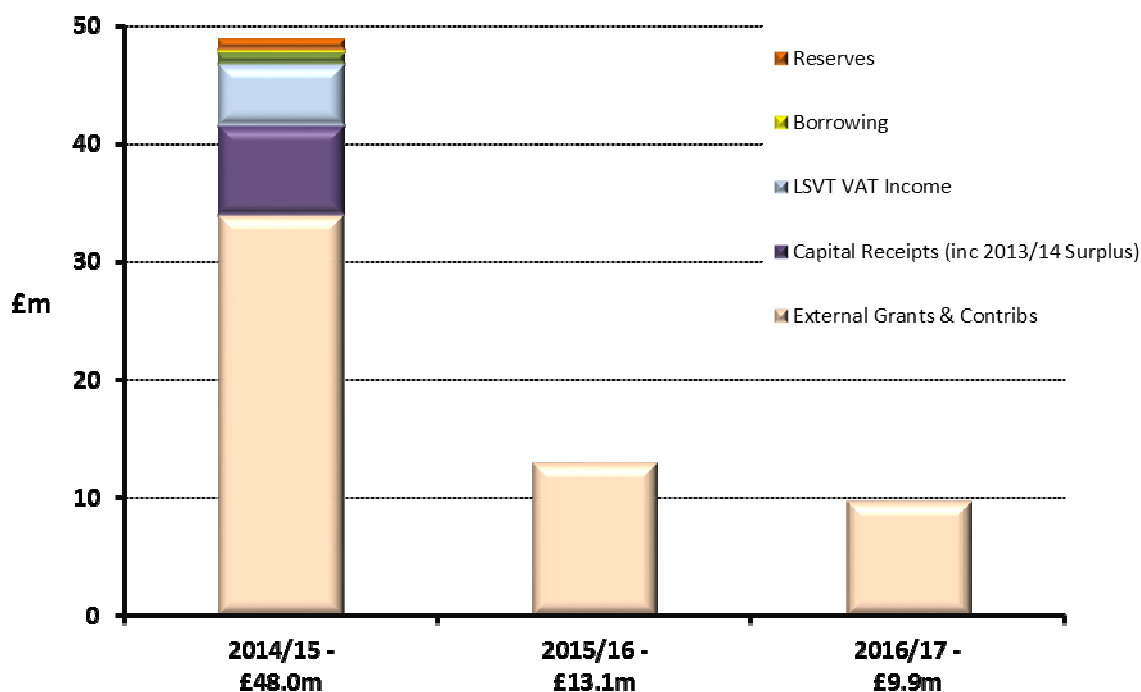
4. The current forecasted expenditure for 2013/14 is £41.6m with estimated resources available to support this programme of £42.0m. The current three year capital programme 2013/14 to 2015/16 originally approved by the Council in February 2013 is being implemented and has been updated for the amendments and additions approved throughout the year. As part of the budget process the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.

- The 2013/14 programme includes the delivery of a number of key projects including:-
 - Schools additional places and improvement programmes - £21.7m
 - Highways Improvements - £6.7m: includes road safety, street lighting and structural maintenance.
 - LCCC Redevelopment - £2.9m: Completion of the work started in 2011.
 - Housing Grants – £2.9m: Includes Local Authority Mortgage Scheme & Disabled Facilities Grants.
 - ICT Programmes - £2.0m: including CRM / EDRMS / CMS.
 - Adult Social Care - £1.3m – Includes Telecare and integrated adult social care system.
 - Environmental Programmes - £1.7m: includes Parks & Open Space, Waste Management & Bereavement Services.
 - Altrincham Town Centre Regeneration and Altair land assembly costs - £1.8m

RESOURCE AVAILABILITY 2014/17

5. The resources available to support the 2014/17 Programme total £72.6m and can be categorised into specific resources and discretionary resources. It is estimated that the Council will need to increase its provision for outstanding equal pay claims in 2014/15 and following the introduction of statutory regulations last year councils are permitted to finance these costs from capital receipts (Statutory Instrument 2013 No.476). This is currently estimated at £1.6m therefore the resource envelope for the capital programme is £71.0m.

2014/17 Capital Resource Availability - £71.0m



6. **Specific Resources** – These total £57.0 (80% of the overall resources) and mainly include government grants awarded for specific schemes, for example school building improvements and expansion or highway structural maintenance. Also the Council applies developer contributions to fund some infrastructure improvements but these need to be spent in accordance with

conditions laid out in each legal agreement. Over recent years the Council has received contributions totalling £14.1m, of which £9.0m has either been spent or is committed to schemes in the current programme, with £5.1m available to support further projects. Until schemes are identified this amount has not been included in the resources available above as they are not available for general support of the capital programme. In addition there are signed planning agreements such that if developments proceed then the Council will receive up to a further £31m to support infrastructure improvements. The introduction of the Community Infrastructure Levy is estimated to yield approximately £2.7m p.a in support of projects included on the local infrastructure plan from 2015/16.

7. **Discretionary Resources** – These total £14.0m and mainly comprise of capital receipts from the disposal of surplus assets, LSVT VAT receipts and a small residual amount of borrowing.
8. When setting the original 2013/16 capital programme all available capital resources were allocated. Subsequently the update to the land sales programme reported to the Executive in July 2013, which detailed all available sites that will be surplus to operational requirements for 2014/15, identified a number of new additional sites. The value of these exceeded the resourcing requirement by £3.4m. At this stage no estimate has been made on levels of capital receipts beyond this timeframe. The majority of the proceeds are already committed to support existing capital priorities such as the long term accommodation project and regeneration in our town centres. A further update to the land sales programme was undertaken in October 2013 which identified a slight increase in the level of available capital receipts.

Capital receipts estimate	2014/15 £m
Gross receipts estimate *	10.6
Ring-fenced receipts	2.2
Net receipts estimate	8.4
Amount allocated to support current Capital Programme	(4.3)
Amount required to support the anticipated increase in equal pay costs	(1.6)
Estimated Surplus	2.5

* Includes surplus receipts from 2013/14 of £0.4m and reimbursement of costs in respect of Urmston town centre, estimated at £4.4m.

9. The potential also exists to release some of the LSVT VAT Shelter receipts currently being received from Trafford Housing Trust (THT). An element of caution needs to be placed on this because a number of environmental warranties were given to THT when the stock was transferred, for example asbestos. Therefore consideration still needs to be given to the level of resources set-aside to cover potential liabilities that could arise. Confirmation from THT is expected soon identifying any potential liabilities. As at 1 April 2013 the balance was £6.8m with amounts already committed against existing schemes of £2.6m leaving an uncommitted balance of £4.2m. Receipts are also anticipated in 2013/14 and 2014/15 and are estimated at £1m over the two years, giving a total of £5.2m. No further LSVT VAT receipts will be received after 2014/15. **In the event that a future valid claim was made under these warranties then any cost would need to be met from existing revenue or capital resources.**

10. Included in the Capital Programme in later years are a number of schemes supported by discretionary resources where programmes are not yet committed, therefore these resources totalling £1.4m could be redirected in support of new priorities. In addition a number of other resources are available to support future years:-

- Available grants £0.5m. As at 1/4/13 the level of capital grants and contributions on the Council's balance sheet was £38.9m and for all intents and purposes is committed against schemes in the capital programme. A detailed line by line review of this account has been undertaken which has identified a number of unringfenced grants that are no longer required to support specific capital schemes as a consequence of historic underspending and are not at risk of claw-back. These can now be released to support the general capital programme.
- Capital Reserve £0.6m, originally earmarked to support any requirement for additional equal pay costs
- A reimbursement of the Council's vacant possession costs on the Urmston town centre regeneration scheme is expected in spring 2014. The principal element of the reimbursement is already included in the current capital resourcing assumptions. As part of the agreement interest is due on this amount and an option exists to use this to support the overall funding gap. Final confirmation of the figure is still to be agreed with the developer but it is estimated to be in excess of £0.8m. Whilst this sum could be available to support the programme a significant revenue pressure exists as a consequence of overall returns from the town centre redevelopment expected to be lower than originally estimated. This is due to the impact the current economic conditions are having on the expected sale price of the overall development. Therefore consideration needs to be given to applying this sum to offset this revenue pressure.

Amount Available to Support New Projects	Total
	£000
Capital Receipts Surplus (See Para 8)	2,500
Available Grants and Contributions (See Para 10)	500
Capital Reserve (See Para 10)	600
Add resources supporting schemes not yet committed (See Para 10)	1,381
Additional income from Urmston TC redevelopment (See Para 10)	800
LSVT VAT Receipts (See Para 9)	5,193
Total Available	10,974

11. An alternative option for using capital receipts is to set them aside for the redemption of debt which would provide savings in the Council's debt related costs. If the receipts included in the table above were used in this way it would provide revenue savings of approximately £350k p.a.
12. It is important to ensure that these scarce capital resources are used to support capital schemes that make a major contribution to ensuring the Council's assets are suitable for delivering future priorities, improving service delivery and generating revenue savings. These resources are allocated in accordance with the prioritisation process included in the Council's Capital Strategy which gives priority to:-

- Schemes of a mandatory nature e.g. health & safety;
- Invest to Save
- Supporting the Asset Base (backlog maintenance)
- Council priorities
- Other remaining projects

NEW START PROPOSALS

13. A number of new capital priorities have been identified for 2014/17 totalling £12.0m as summarised below. More detail together with justifications for the projects are detailed in Appendix 1.

Summary of New Start Proposals 2014/17	Total
	£000
Schemes of a mandatory nature	3,000
Invest to save schemes	589
Scheme that protect the asset base	5,120
Council Priorities	3,020
Other Priorities	313
Total	12,042

14. The capital bids summarised above and detailed in Appendix 1 exceed the resources available by £1.0m. The following options need to be considered:-

- Reduce the number of bids, particularly in later years
- Add all the schemes to the Capital Programme and introduce an element of overprogramming

15. If option b) is supported then it is imperative that all future capital receipts are pooled in support of priorities included in the indicative programme shown at Appendix 2.

2014/17 INDICATIVE PROGRAMME

16. The value of the indicative three year budget is £72.0m and is detailed in Appendix 2 with a summary is shown in the table below. At this stage the figures for 2014/15 are known in detail, whereas the resource position for 2015/16 and 2016/17 is less certain, which means that the programme we are aware of for those two years is at a lower level than in 2014/15, but is likely to increase as additional resources are confirmed.

Capital Programme 2014/17 : Analysis by Priority	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget Total
	£000	£000	£000	£000
Protecting the Asset Base	2,854	1,750	1,100	5,704
Supporting Service Provision	25,113	10,289	7,250	42,652
Supporting the Local Economy	4,557	1,750	1,750	8,057
Investing in New Technology	1,593	0	0	1,593
Investing in Major Infrastructure	8,814	2,719	2,500	14,033
Total Investment	42,931	16,508	12,600	72,039

Protecting the Asset Base – This includes investment in public buildings and infrastructure which is crucial in ensuring much needed facilities, used by the public, are kept open as lack of investment will lead to health and safety issues and potential closures.

Supporting Service Provision – This predominantly relates to the continuation of investment in school buildings including a programme that will create 1,750 additional school places across the Borough to address the shortage of primary school places as well as addressing priority condition needs.

Supporting the Local Economy – Includes major investment in the Borough's town centres

Investing in New Technology – This investment will support the completion of a number of corporate improvements. Also investment in Telecare products which monitor people at risk in their own homes, improving their safety and helping them to stay independent and healthy for longer.

Investing in Major Infrastructure – This investment includes improvements to 65km of carriageway, 66km of footways, 750 new street lighting columns, major bridge refurbishments and junction improvements.

PRUDENTIAL INDICATORS

17. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council's treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (These are included in the Treasury Management Strategy Report). The Director of Finance will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
18. All the indicators take account of the proposals in this report and a list of Prudential Indicators is included at Appendix 3.

RECOMMENDATIONS

19. That the Executive:-

- approve the Capital Investment Programme as detailed in the report.
- recommend the Council approve the Capital Investment Programme in the sum of £72.0m for the period 2014-17.
- recommend the Council approve the Prudential Indicators.

Other Options

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan.

Consultation

Consultation has taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2014/17.

Reasons for the Recommendation

The Authority is regularly assessed on the performance of its Capital Investment Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

Finance Officer Clearance (type in initials)GB.....

Legal Officer Clearance (type in initials)MJ.....

Director of Finance Approval given 26/11/13

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

New Start Proposals 2014/17					
Description	2014/15 £000	2015/16 £000	2016/17 £000	Total £000	Justification
Schemes of a mandatory nature					
Disabled Facility Grants	1,000	1,000	1,000	3,000	The Council has a legal responsibility to provide adaptations to properties for people who meet the disabled facilities grant criteria. To accomplish this the Council is provided with a government grant. This grant does not meet the annual demand from Trafford residents so a bid for Capital to add to the grant is made. The service is demand led so we base the bid on the expenditure from the previous year's demand with a small allowance for demographic increases.
Sub-total	1,000	1,000	1,000	3,000	
Invest to Save					
Shawe View LD Assessment and Reablement Unit	100			100	The service will offer time limited support for individuals in order to assess their needs before agreeing a long term placement. This service will provide practitioners the opportunity to assess individuals and provide a period of reablement. The Shawe View site will be utilised for an assessment and reablement service for vulnerable adults with learning disabilities, mental health and autistic spectrum conditions, the site will used for existing clients as well as enabling individuals to smoothly transition from residential college placements to community living, this in itself has the potential to reduce costs by having the facility to assess someone in borough and then identifying

				<p>an appropriate placement in Trafford rather than out of area. To this end the service would complement the work being undertaken by the Local Authority as part of the Winterbourne View recommendations and also the resettlement of high cost, out of area placements.</p> <p>In order to use the Shawe View site as an assessment and reablement service the building will require investment. There will also be the requirement to purchase some specialist equipment. The service will look to work with a spectrum of individuals, ranging from lower level to very complex and profoundly disabled.</p>
Review of Children’s Residential Services – review to increase capacity by one place	35		35	<p>Provisional sum of £35k is included whilst outcome of business case is competed.</p>
Additional Telecare Investment	400		400	<p>Trafford Council launched its Telecare pledge targeted at those Trafford residents aged 80 or over. Its success has supported increased numbers of older people taking advantage of Telecare products to support them to remain independent living in their own homes. In order to increase the take-up of Telecare products the aim is to target individuals aged 75-and over.</p>
SAN Controller Upgrade and Capacity	54		54	<p>The current SAN Controller (filer) is 3 years old and is about to end its 3 year maintenance contract. The filer is at capacity with regard to processing performance and is starting to impact on performance of systems. There are 3 major projects which will add additional workload to the system CRM, EDRMS and ASC. Pressure exists to undertake this investment in 2013/14.</p>

Sub-total	589	0	0	589	
Supporting the Asset Base					
Corporate Landlord	750	750	750	2,250	Ongoing major maintenance and backlog repairs to operational buildings.
Community Asset Transfer	500	500		1,000	As part of the transfer of Community Assets to the Community and Voluntary sector it may be necessary to carry out essential repairs to the buildings prior to the transfer.
Friars Court, Sale – Demolition	85			85	Annual running costs for the empty building are a minimum of £192 pa, whereas demolition has been estimated at circa £85k. We have a proposal to sell the site in approximately 18 months, when the site will become part of a larger redevelopment scheme and the building will be demolished.
Additional Highway Maintenance	1,350			1,350	It is recognised that funding at steady state levels is not possible in the current financial climate. However, what is being attempted is a controlled reduction in the condition of the highway ensuring that the maximum effectiveness is achieved from the funding available, and so reducing future reactive maintenance and potential insurance costs. The funding will allow some of the roads in the worst condition in the Borough to be treated. Pressure exists to undertake this investment in 2013/14
Altrincham Crematorium - Cremators	200	150		350	Replacement of two of the three cremators that have reached the end of their serviceable life which will protect long term on DEFRA requirements and enable possible income generation through CAMEO. The new cremators would be more energy efficient reducing on-going costs.

Corporate Landlord IT System	85			85	<p>Currently considering implications on the Council's VAT partial exemption threshold. One cremator has reached end of life and is being carefully managed until replacement.</p> <p>Investment is required to allow a centralised model to be implemented and enable the service to deliver its core functionality effectively and efficiently. The model is business critical and a pre requisite to the RightSourcing approach. Any compromise to the systems aspect would directly impact the service and savings required for 2014/15. Indicative recurring costs per annum are 60% less than maintaining the existing system.</p>
Sub-total	2,970	1,400	750	5,120	
Council priorities					
Ascot House Adaptations	20			20	<p>Scheme will ensure the Council meets its statutory responsibilities re Care Quality Commission registration. To redevelop the rehabilitation flat to improve further the percentage of people we discharge home and divert away from expensive residential care. This improves customers' outcomes and experience while protecting the Adult Social Care budget.</p> <p>To redevelop 2 bathrooms as wet rooms which will again increase customers independence and improve rate of successful reablement and discharge home while also improving access to people with mobility problems</p>
Housing Assistance	150	150	150	450	<p>Discretionary grant assistance of £50k p.a to owner occupiers with properties in poor condition (category 1 hazards in accordance with the Housing Health & Safety Rating System). An</p>

Integrated Transport	500	500	500	1,500	<p>amount of £100k p.a for site investigation and preparation to support housing development. Principally to be used for Council owned land prior to disposal but also for third party sites where intervention will bring forward development or to support bids for external funding.</p> <p>Continued reduction of highways related accidents through physical intervention including :</p> <ul style="list-style-type: none"> •Improved sustainable travel modes •Facilitation of healthier modes of travel •Reduced highway congestion. •Improved compliance with traffic regulations. •Improved highway DDA access. •Improved car parking and residential amenity. <p>The consequences of not undertaking this work include :</p> <ul style="list-style-type: none"> • Increased road traffic injury accidents • Increased congestion & pollution, health issues • Possible increase in insurance claims. • Significant increase in complaints to the Council. <p>Capital bids for Greenspace including parks, countryside and allotments will support a programme of continued improvement which along with S106 contributions will reduce structural maintenance issues and potential future liabilities. External grant funding will also be sought to maximise the value of the Council's capital investment wherever this is possible. Capital funding is necessary to ensure that play areas, footpath networks, car parks and other associated infrastructure is brought up to standard across both parks and countryside sites including the Mersey Valley and Bollin Valley where there has been no major investment for many years. The bids support</p>
Parks & Greenspace	350	350	350	1,050	

					enhancing the Council's asset base whilst ensuring that health and safety risks are addressed. Parks and countryside sites are increasingly very well used and important resources for the residents of Trafford particularly during times of austerity when the usage and demands from local green spaces continues to increase. Funding has also been requested to tackle an ongoing problem with allotment toilet facilities and dilapidated infrastructure that has not been addressed for a number of years. This investment would reduce on going revenue costs associated with dealing with these issues.
Sub-total	1,020	1,000	1,000	3,020	
Other remaining projects					
Contribution to GM Broadband	313			313	This is a contribution from the Council to support an AGMA wide initiative for high speed broadband and digital growth in GM.
Sub-total	313			313	
Total	5,892	3,400	2,750	12,042	

2014/2017 INDICATIVE CAPITAL PROGRAMME			
	2014/15	2015/16	2016/17
DESCRIPTION	£000	£000	£000
Children's			
Basic Need : School Places & Condition Issues	20,276	7,039	4,000
Devolved Formula Capital	400	400	400
Capital Maintenance Grant	3,105	2,200	2,200
Review of Children's Residential Placements (Increase capacity by one place)	35	0	0
Sub-total	23,816	9,639	6,600
Adults			
Adult Personal Social Care - Community Capacity Grant	519	500	500
Replace ICT Social Care System	745	0	0
Ascot House - Adaptations	20	0	0
LDD Assessment Unit	100	0	0
Telecare System Extension	400	0	0
Disabled Facility Grants	1,744	1,750	1,750
Sub-total	3,528	2,250	2,250
Economic Growth & Prosperity			
Mechanical & Electrical Works	342	200	200
Asbestos Management	50	50	50
Legionella Control Remedial Works	50	50	50
Energy Efficiency & Sustainability Schemes	50	50	50
DDA Compliance	100	100	100
Public Building Repairs	607	300	300
Community Asset Transfer	500	500	0
Friars Court, Sale - Demolition	85	0	0
Corporate Landlord IT System	85	0	0

Land Compensation - Sale Water Park	50	0	0
	2014/15	2015/16	2016/17
DESCRIPTION	£000	£000	£000
Altrincham : Library / Community Facility	2,000	0	0
Altair Development, Altrincham	615	0	0
Bringing Town Centres Alive	148	0	0
Assistance to Owner Occupiers	50	50	50
Housing Growth	100	100	100
Affordable Housing - Roseneath Rd, (S.106)	108	0	0
Sub-total	4,940	1,400	900
Environment, Transport & Operations			
Integrated Transport Schemes	500	500	500
Altrincham Interchange	500	0	0
Bridgewater Way Improvements	365	219	0
Highways & Public Transport S106s	94	0	0
Cycle City Ambition Grant	1,224	0	0
Highways Structural Maintenance	2,212	2,000	2,000
Additional Highway Maintenance	1,350	0	0
Highways - Asset Management Plan	92	0	0
Bridge Assessments & Strengthening	55	0	0
A56 / West Timperley - Improvements	1,677	0	0
Additional Burial Land	300	0	0
Altrincham Crematorium - Cremators	200	150	0
Parks Infrastructure	345	225	225
Countryside Infrastructure	75	75	75
Allotments - Welfare & Security Works	50	50	50
Parks - S.106 Projects	100	0	0
Sub-total	9,139	3,219	2,850

	2014/15	2015/16	2016/17
DESCRIPTION	£000	£000	£000
Transformation & Resources			
CRM Upgrade	500		
Web / Customer Strategy	210		
HR Payroll System - SWITch	431		
GM Broadband Contribution	313		
SAN Controller - upgrade	54		
Sub-total	1,508		
TOTAL	42,931	16,508	12,600

Prudential Indicators – Estimates 2013/17

Capital Prudential Indicators	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Expenditure	41.6	42.9	16.5	12.6
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2013/14 and the following three years.				
Capital Financing Requirement as at 31 March	146.3	140.2	133.7	129.3
Capital Financing Requirement (CFR) - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).				
Financing Cost to Net Revenue Stream	6.5%	7.1%	6.9%	7.0%
Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream.				
Incremental Impact on Band D Council Tax (£)	12.43	0.00*	0.00*	0.00*
Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above, reflects the movement away from borrowing to grant funding for future years spend.				

*this reflects that the Capital Financing Requirement is set to reduce in 2013/14 as no further borrowing is expected to be undertaken.

All the prudential indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.

These figures exclude the impact of any investment in Street Lighting which is subject to a report to Council in January 2014.