

Report of the Cabinet Member for Corporate Services

CAPITAL PROGRAMME – MONITOR TWO 2012/13

Report Summary

1. The purpose of this report is to:

- Inform Members of the likely outturn position of 2012/13 Capital Programme based on the spend profile and information to October 2012;
- Inform the Cabinet of any under or overspends
- Seek approval for changes to the programme
- Inform the Cabinet of any slippage and seek approval for the associated funding to be slipped to or from the relevant financial years to reflect this.

2. The 2012/13 – 2016/17 capital programme was approved by Council on 14th February 2012. Since then amendments have taken place as reported to Cabinet in the 2011/12 Capital Programme Outturn report on 17 July 2012 and the Capital Programme Monitor 1 report on 4 September 2012. The changes made as result of the above papers have resulted in a current approved capital programme for 2012/13 of £65.103m, financed by £28.987m of external funding, and internal funding of £36.116m. Table 1 illustrates the movements from the start budget to the current approved position at Monitor 2.

	Gross Budget £m	External Funding £m	Internal Funding £m
Original Budget Approved by Council at 14 Feb 2012	76.112	36.572	39.540
Amendments from 2011/12 Outturn report	(9.045)	(8.291)	(0.754)
Amendments from 2012/13 Monitor 1 report	(1.964)	0.706	(2.670)
Current Approved Capital Programme	65.103	28.987	36.116

Table 1 Current Approved Capital Programme

Consultation

3. The capital programme was developed under the Capital Resource Allocation Model (CRAM) framework and agreed by Council on 14 February 2012. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Summary of Key Issues

4. An increase of £3.930m is detailed in this monitor that results in a revised capital programme budget from £65.103m to £69.033m.
5. The increase of £3.930m is made up of:
 - New schemes increasing budgeted expenditure by £3.377m. This is comprised in the main of new prudential borrowing schemes of £4.085m all funded from within existing revenue budgets and the removal of the funding in relation to two partner led schemes totalling £810k that CYC are not the lead delivery body for (the details of all amendments are contained in the paragraphs and recommendations below).
 - Net re-profiling of £0.553m of schemes from the current year to future years.
6. Table 2 outlines the variances reported against each portfolio area. It should be noted that the portfolios have been aligned with the new Council Structure from 1st April 2012.

Directorate	Department	Current Approved Budget £m	Revised Capital Budget £m	Variance £m
ACE	Children's, Education and Skills	10.014	10.262	0.248
ACE	Adult Social Services	1.307	1.307	0.000
CES	Strategic Planning & Transport	9.012	9.107	0.095
CES	Community Stadium	2.864	2.864	0.000
CES	Economic Development	0.058	0.058	0.000
CANS	Housing & Comm Safety	11.814	11.814	0.000
CANS	Culture, Leisure & Public Realm	4.238	2.148	(2.090)
CES	Highways, Fleet & Waste	4.342	7.476	3.134
CBSS	Asset Management	4.223	4.841	0.618
CBSS	Admin Accom	14.030	14.030	0.000
CBSS	IT Development Plan	1.438	1.612	0.174
CBSS	Contingency	0.330	0.214	(0.116)
CBSS	Economic Infrastructure Fund	1.433	3.300	1.867
	Total	65.103	69.033	3.930

Table 2 Capital Programme Forecast Outturn 2012/13

7. To the mid point in October there was £21.052m of capital spend representing 31% of the revised Monitor 2 budget.

Analysis

8. A summary of the key exceptions and implications on the capital programme are highlighted below.

ACE - Children's, Education and Skills Services

Adjustments

9. A new scheme totalling £248k for the provision of a dedicated Looked after Children Contact Centre at 6 Nursery Drive is proposed for the ACE capital programme. The refurbishment will allow looked after children a dedicated space to have contact with their parents in one purpose-built location rather than at ten different locations across York. The centre also serves the purpose of consolidating meeting space. The new contact team will be up and running during September/October 2012 and this investment will enable a revenue budget saving to be delivered. It is projected that the move to Nursery Drive would be completed by April 2013. This scheme will be funded by £58k of DfE Children's Social Care Grant and £190k departmental prudential borrowing with the associated revenue costs being covered by the service area.
10. There are no other expected variances to report from budget. Current forecasts show that schemes will continue to incur expenditure as previously profiled.

ACE – Adult Social Services

11. At monitor 2 there are no adjustments or re-profiling to the budget originally set in adult social services for 2012/13. All projects remain on projection to spend in year as profiled in Annex A

CES – Strategic Planning and Transport & Economic Development

Adjustments

12. A new scheme line is proposed to be added to the Planning and Transport capital programme for £95k in relation to the migration of the existing CCTV cameras from analogue to the Dark Fibre digital network as part of the move to West Offices. As part of moving the CCTV control room from St Leonard's Place to West Offices, there is an opportunity to link all the 70 CCTV cameras onto the digital fibre network in order to have a fully digital system. If the Council chose not to pursue this opportunity at this stage then it will have to meet this investment in the near future as BT continue to reduce support

for analogue systems. In addition, there are benefits of increased functionality, opportunities for buying cheaper cameras, viewing CCTV images in multiple locations, and it will open up the future integration of the traffic signal. It is recommended that £85k of capital contingency be used to fund this scheme and that £10k of S106 funding be used. The £95k investment set out as part of this report is an enhancement over and above the current provision contained within the Administrative Accommodation project that contains £130k for provision of the CCTV system being networked via analogue. This additional funding allows the CCTV network to be provided from a digital network.

13. There are no other expected variances to report from budget. Current forecasts show that schemes will continue to incur expenditure as previously profiled.

CES – Community Stadium

14. The Community Stadium projects remain on projection to spend in year as profiled in Annex A. A separate report on this Cabinet Agenda will provide an update on the overall scheme progression.

CES – Highways, Fleet & Waste

Adjustments

15. A new scheme line is proposed to be added to the Highways Waste and Fleet capital programme for £31k in relation to the City's flood pump resilience. The purchase of new pumping equipment will enhance pumping resilience at times of flood. During the recent floods hire pumps had to be used which were not always entirely suitable for the demands placed upon them. The four new pumps will ensure there is sufficient resilience to cope with the majority of river floods, and some back up and confidence to allow for pump failures and maintenance. It is recommended that £31k of capital contingency be made available to fund this scheme.
16. As part of the continuous review of asset financing for the Councils fleet, work has been undertaken to assess alternative means of financing. The Council has in the main always financed its vehicles using operating leases (a charge on revenue and not capital) and for certain assets this option is still the most financially advantageous. For assets such as refuse collection vehicles and kerbside recyclers it

is proposed that the Council shift from leasing to prudential borrowing with the associated finance costs funded by existing revenue budgets. The shift to prudential borrowing will allow the Councils Fleet services more flexibility in asset use when compared to the leasing terms on which vehicles have been previously financed. Owning the vehicles outright and utilising the asset over a life of 7 years as opposed to years 4 (under current leases) through a combination of more proactive maintenance and route planning will allow the costs of funding the vehicles to be spread over a longer period of time thus reducing the in year revenue payments on servicing the finance. An asset life of 7 years is reasonable given the quality of the vehicles being purchased and the workshop facilities and services the Council possess. The spreading of costs will help to alleviate revenue budget pressures in this service area and over the medium term. In addition it is proposed that the existing Waste Infrastructure Capital Grant (WICG) funding shown in the capital programme at a value of £110k be used to purchase new vehicles outright in 12/13. The new capital programme scheme would add £3.103m to the Capital Programme that when taken with the WICG of £110k will result in a new scheme of £3.213m in 12/13. All the associated costs of borrowing under this proposal will be met from existing departmental revenue budgets.

17. The Highway Resurfacing & Reconstruction (Structural Maintenance element) scheme will increase by £200k by bringing forward budget from 13/14 to 12/13 to maximise the productivity of the highway gangs within Civil Engineering. A number of the capital schemes which were initially programmed for the second half of the year relating to Better Bus Fund and Access York have slipped into 2013/14 resulting in a shortfall of productive work for the gangs. This will be offset in 2013/14 when the transport schemes are ready for construction

CANS – Housing & Community Safety

18. There are no variations to report and the Housing and Community Safety schemes are currently forecast to outturn at £11.814m.

CANS – Culture, Leisure and Public Realm

Re-profiling / Adjustments

19. The York Explore Phase 2 (Gateway to History) scheme is requesting £1.314m of funding be re-profiled into 13/14 from 12/13 as the outcome of the second phase of the project will not be known in this financial year. The decision as to if external funding is received will determine if the project proceeds, and therefore no further spend will occur in this financial year.
20. The Parks and Open Spaces Development scheme is set to increase to £34k funded entirely by S106. The investment will deliver the development and maintenance of existing green open spaces at locations throughout the city.
21. A number of schemes funded in part by CYC and in part by external funding/partners were added through the 12/13 budget process. As part of the budget process the gross cost of the schemes were shown in the Councils capital programme as follows:
- York Sports Village – Closed Cycle Circuit Provision. Total scheme cost £810k. CYC funding £200k, York University funding £610k. Lead body for delivering the project – YSV.
 - City Art Gallery Refurbishment and Extension. Total scheme cost £6.0m. CYC funding £500k, York Museums Trust (Arts Council Funding) £5.5m. Lead body for delivering the project – YMT.
 - York Theatre Royal Refurbishment. Total scheme cost £1.95m. CYC funding £250k, £1.7m York Theatre Royal (Arts Council England + Other Contributions). Lead body for delivering the project YTR.
22. In all the instances above it is proposed that the external capital funding be removed from the Councils capital programme in line with the lead body for the delivery of each project being established and accounting for the projects through their own finance system, the CYC contribution to the scheme will remain and continue to be shown in the Councils capital programme. The schemes overall investment remains at the same level and it is not proposed the Councils contribution change from those levels currently approved.

CBSS - Administrative Accommodation

Adjustments / Re-profiling

23. The projected expenditure for the administrative accommodation project has not changed at Monitor 2. The overall project budget remains at £43.8m approved at Executive June 2008. Work continues to progress on West Offices and employees across the Council are expected to transfer to the new building by the end of March 2013.

CBSS – Asset management

Adjustments

24. A number of minor adjustments are made as part of this report allocating funding from Property Compliance scheme (£80k) to Fire Safety Regulations - Adaptations (£40k) and Removal of Asbestos (£40k). All of the amendments under the asset management area are made within the existing approved capital budget provision.
25. A new scheme is added reflecting the decision taken on the Administrative Accommodation / Hazel Court Cabinet report on 9 October 2012. Accordingly a new scheme for £618k is added under the header Hazel Court – Office of the Future Improvements. This scheme will be financed using departmental prudential borrowing with the associated revenue costs to be funded from the £235k saving from moving out of the Guildhall, St Anthony's and 50 York Road.

CBSS – IT Development Plan / Contingency / Economic Infrastructure Fund (EIF)

IT Development Plan – Adjustments

26. There is a request to increase the IT Development Plan capital budget by £100k relating to smarter working and by £74k for Print Unit photocopiers that will both be funded from savings and existing lease budget within ICT service. The Print Unit equipment has historically been leased and it is now proposed to finance these short term assets through use of prudential borrowing. The new equipment is replacing aged and inefficient devices which are required as part of preparations for developing the business capabilities of the unit to reduce print work being undertaken outside of the authority. It is anticipated that the equipment will enable an increase in the amount

of printing completed “in-house” therefore reducing external printing costs. In addition it will provide greater opportunities to provide services to partners in the new HQ and provide enhancements to exploit potential opportunities through the trading vehicle.

Contingency - Adjustments

27. The Capital contingency exists to deal with in year unforeseen demands on the capital programme of £69m and to allow flexibility to respond to non major requests for new funding. Before consideration of the 2 schemes set out below the 12/13 capital contingency fund stood at £330k.

28. It is recommended that £31k of funding from the contingency be made available to C&ES to purchase new pumping equipment to enhance pumping resilience at times of flood as set out in paragraph 15. It should be noted that the Council expect to receive a rebate in relation to the Water End/Leeman Road scheme and any such funding will be used to top up the contingency fund up to the value of £31k.

29. It is recommended that £85k of funding from the contingency be made available to contribute towards the costs of migrating the existing CCTV cameras from analogue to the Dark Fibre digital network as part of the move to West Offices as set out in paragraph 12.

Economic Infrastructure Fund – Re-profiling

30. The Economic Infrastructure Fund remains at the £28.5m as approved at Budget Council in February 2012. The changes shown on Annex A as part of this report are internal fund movements (between EIF sub schemes) to reflect the latest known spend profiles on the major schemes of Access York Phase 1, the Better Bus Fund and Reinvigorate York as approved through the EIF reports to Cabinet. Annex B shows the current position in relation to the EIF excluding the report in relation to Newgate Market on this Cabinet Agenda

Summary

31. As a result of the changes highlighted above the revised 5 year capital programme is summarised in Table 3.

Gross Capital Programme	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	£m	£m
Current Programme	65.103	51.212	34.725	19.792	19.461	190.293
<u>Adjustments :</u>						
ACE - Children's Education & Skills	0.248					0.248
ACE – Adult Services						0.000
CANS –Culture, Leisure & Public Realm	(2.090)	(2.936)	(2.750)			(7.776)
CANS – Housing & Community Safety						0.000
CES – Highways, Fleet & Waste	3.134					3.134
CES – Strategic Planning &Transport	0.095					0.095
CES - Community Stadium						0.000
CES - (Economic Development)						0.000
CBSS – Asset Management	0.618					0.618
CBSS - IT Development Plan	0.174					0.174
CBSS – Administration Accommodation						0.000
Miscellaneous (Contingency)	(0.116)					(0.116)

Economic Infrastructure Fund	1.867	(1.520)	(0.347)			0.000
Revised Programme	69.033	46.756	31.628	19.792	19.461	186.670

Table 3 Revised 5 Year Capital Programme

Funding the 2012/13 – 2016/17 Capital Programme

32. The revised 2012/13 capital programme of £69.033m is currently being funded from £27.438m external funding and £41.595m of internal funding. The internal controlled funding is comprised of revenue contributions, revenue reserves, prudential borrowing, right to buy housing capital receipts and general capital receipts.

33. Table 4 shows the projected call on Council resources going forward.

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	£m	£m
Gross Capital Programme	69.033	46.756	31.628	19.792	19.461	186.670
Funded by:						
External Funding	27.438	30.021	20.019	10.140	11.719	99.337
Council Controlled Resources	41.595	16.735	11.609	9.652	7.742	87.333
Total Funding	69.033	46.756	31.628	19.792	19.461	186.670

Table 4 – 2012/13 –2016/17 Capital Programme Financing

34. The Council controlled figure is comprised of a number of resources that the Council has ultimate control over how it chooses to apply them, these include Right to Buy receipts, Revenue Contributions, Supported (government awarded) Borrowing, Prudential (Council funded) Borrowing, Reserves (including Venture Fund) and Capital Receipts.

35. It should be recognised that capital receipts which form part of the Council Controlled Resources should be considered at risk of not being realised within set time frames and are estimated values until the receipt is received. The capital programme is predicated on a small number of large capital receipts, which if not achieved would cause significant funding pressures for the programme. The Director

of Customer and Business Support closely monitors the overall funding position to ensure that over the full duration of the capital programme it remains balanced, any issues with regard to financing will be reported as part of the standard reporting cycle to the Cabinet.

Corporate Priorities

36. The capital programme is decided through a formal process, using a Capital Resource Allocation Model (CRAM). CRAM is a tool used for allocating the Council's scarce capital resources to schemes that contribute toward the achievement of the corporate strategy.

Implications

Financial Implications

37. The financial implications are considered in the main body of the report.

Human Resources Implications

38. There are no HR implications as a result of this report

Equalities Implications

39. There are no equalities implications as a result of this report

Legal Implications

40. There are no legal implications as a result of this report

Crime and Disorder

41. There are no crime and disorder implications as a result of this report.

Information Technology

42. There information technology implications as a result of this report are contained in the main body of the report.

Property

43. The property implications of this paper are included in the main body of the report.

Risk Management

44. The capital programme is regularly monitored as part of the corporate monitoring process. In addition the Capital Asset Board meets monthly to plan, monitor and review major capital schemes and considers all the associated impacts of the scheme.

Recommendations

45. The Cabinet is requested to:

- Recommend to Full Council the adjustments in the Capital programme of an overall increase of £3.930m in 2012/13 and re-profiling from 2012/13 to 2013/14 and 2014/15 of £553k as detailed in the report and contained in Annex A including the following new schemes:
 - £248k for the provision of a Looked after Children's Contact Centre funded by £190k departmental borrowing with the associated costs being funded by the savings realised from this service area as a result of delivering this scheme and £58k funded from DfE Children's Social Care Capital Grant.
 - £2.213m for the outright purchase of Fleet Vehicles previously leased to be funded by prudential borrowing with the associated revenue costs being met from existing departmental revenue budgets.
 - £34k Parks and Open Spaces schemes all funded from S106.
 - £10k S106 CCTV Digital Infrastructure
- Note the 2012/13 revised budget of £69.033 as set out in paragraph 6 and Table 2.
- Note the restated capital programme for 2012/13 – 2016/17 as set out in paragraph 30, Table 3 and detailed in Annex A.
- Note the re-profiling and adjustments of the Economic Infrastructure fund to align to spend and approval as set out in the Economic Infrastructure reports to Cabinet noting the overall fund remaining at £28.5m.
- Note the inclusion of the £618k for works at Hazel Court for the Office of the Future funded by prudential borrowing with the associated costs being met from annual revenue savings of

£235k from moving out of the Guildhall, St Anthony's and 50 York Road as approved by Council on the 11 October 2012.

- Approve the use of capital contingency:
 - £31k for Flood Pump Resilience (paragraph 12)
 - £85k for CCTV Digital Infrastructure (paragraph 15)

Reason: To enable the effective management and monitoring of the Council's capital programme

Contact Details

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	Report Approved	√	Date 17/10/12
Wards Affected: All			
<i>For further information please contact the authors of the report</i>			

Background Papers:

Budget Control 1213 Monitor 2
Departmental Capital Pro-forma

Annexes

Annex A –Capital Programme 2012/13 to 2016/17
Annex B – EIF Overall Programme