

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	Meeting:	Cabinet
2	Date:	23rd February 2011
3	Title:	Capital Programme Budget 2011/12 to 2013/14
4	Directorate:	Financial Services

5 Summary

The purpose of this report is to enable the Council to recommend a capital programme for approval for the financial years 2011/12 to 2013/14.

In October 2010, the Government's Comprehensive Spending Review (CSR) announced:

- capital funding from all government departments would fall by around 45% over the spending review period. In allocating resources, the government is prioritising capital investment on areas of greatest economic value;
- local councils would no longer receive 'Supported Borrowing' allocations;
- the flexibility provided by the prudential borrowing scheme (unsupported borrowing) would continue; and
- there would be an increase in the cost of borrowing funds from the Government's Public Works Loan Board (PWLB).

Concurrently, the Council has been proactively looking to rationalise its asset and buildings portfolio so as to realise revenue savings and potential capital receipts from any future asset sale. Generally, such capital receipts are expected to be utilised to reduce future capital financing costs so as to reduce the revenue cost of borrowing.

The Government has recently provided the detailed final and indicative capital funding allocations covered by the period of the programme for individual authorities. The Council's proposed programme is fully reflective of these allocations.

6 Recommendations

CABINET IS ASKED TO:

**RECOMMEND THE APPROVAL OF THE 2011/12 TO 2013/14
CAPITAL PROGRAMME BY FULL COUNCIL.**

7. Proposals and Details

7.1 Background - The Capital Programme

The budget process that has led to the recommended capital programme for 2011/12 to 2013/14 ensures that Council's capital investment plans are aligned with strategic priorities and available funding. The financial implications of the programme are reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy.

In 2011/12 the Council has capital investment plans totalling £63.911m with a total projected investment plan over the three year period of £139.259m.

The expenditure plans and profiles are reflected in the Directorate summary forecast capital spend table presented below. A detailed copy of the programme for each Directorate is attached at Appendices 1 to 4.

	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Directorate	£m	£m	£m
Children and Young People's Service	5.896	6.315	2.500
Environment & Development Services	29.848	16.335	10.977
Neighbourhoods & Adult Services	23.650	18.119	17.012
Financial Services	4.517	2.545	1.545
TOTAL	63.911	43.314	32.034

The above programme has been prepared in the light of the outcomes for local government from the Comprehensive Spending Review.

Ordinarily, the government supports local government capital spending either by a permission to borrow (with the financing costs being funded by Formula Grant - Supported Borrowing) or the provision of a capital grant. For the first time in many years, no future permissions to borrow have been granted which reiterates the Government's desire to restrict new borrowings which contribute to the national fiscal position.

Where the Council is borrowing from 2011/12 onwards, it is in respect of resources allocated in previous years, or where the Council has decided to support investment in a scheme by financing it from Prudential Borrowing (Unsupported Borrowing).

As part of the programme of austerity measures, the Government has also reduced the amount of capital grants available to finance capital schemes.

In previous years, the Government announced funding allocations for a three year period to assist Council's in their medium term financial planning. In light of the continuing economic uncertainty Government departments have not followed this approach for the spending review period 2011/12 to 2013/14. Announcements have either been for one year or a mixture of confirmed or indicative allocations. This approach has meant that the Council has had to estimate the likely future levels of funding that will be available to it. The implications of this for the different aspects of the programme are explained in the body of this report.

The Council is continuing to undertake a comprehensive review of its asset and buildings portfolio with the aim being to rationalise both its operational and non operational asset holdings which may generate both revenue savings and a future capital receipt.

Over recent years, the level of available capital receipts to support investment plans has diminished. Generally, any new General Fund capital receipts will be used to reduce the Council's level of borrowings and related capital financing costs in support of the Medium Term Financial Strategy. Any receipts used in financing the 2011/12 Council programme are in respect of previous years' funding allocations or new receipts generated from the disposal of Housing Revenue Account assets.

7.2 Children and Young People's Services Capital Programme 2011/12 to 2013/14

The total proposed expenditure over the period of the programme is **£14.711m**. A copy of the full programme is attached to this report at Appendix 1.

Funding has only been announced for the 2011/12 financial year due to the Government launching a comprehensive review of all capital investment in schools, early years, colleges and sixth forms. In 2011/12 the Council's allocation is £8.233m, which is a 53% reduction on the level of resources allocated last year (2010/11 £17.4m). In spite of the lack of clarity over future years' funding levels, prudent funding estimates have been included.

The major investment included in the programme is the new school at Maltby Lilly Hall, which is estimated at £5m over the period of the programme. Additionally:

- the new school at Swinton Queen is scheduled to be completed in 2011/12 along with the extension at Winterhill City Learning Centre;

- the Council is continuing to invest in minor enhancements across the whole of the schools estate (£2.7m);
- the Council is also investing (£0.317m) in new information and communications technology at both Rawmarsh and Winterhill City Learning Centres; and
- schools will receive devolved capital grant of £3.9m over 3 years.

Environment and Development Services (EDS) including Culture and Leisure Capital Programme 2011/12 to 2013/14

The total proposed expenditure over the period of the programme is **£57.160m**. A copy of the full programme is attached to this report at Appendix 2.

The whole EDS programme covers regeneration schemes, asset & property enhancement and highways related schemes.

Highways is the main area of government funding that has been directly affected by the CSR. Details of the allocations at a South Yorkshire level, together with the pre spending review comparators for South Yorkshire for 2010/11, are shown in the following table:

2010/11 Final Allocation	2011/12 Final Allocation	2012/13 Final Allocation	2013/14 Indicative Allocation	2014/15 Indicative Allocation
£000	£000	£000	£000	£000
39,216	27,184	27,725	26,961	30,773

In percentage terms the reduction in funding between 2010/11 and 2011/12 is 30.70%, which illustrates the extent to which highway works have been treated with less priority after the CSR.

Continued investment in the Council's Principal Roads Network is a key priority for the Council and its residents. To this end the programme includes projected spend of £33.985m with:

- a major improvement to the A57 Worksop Road / Sheffield Road (£15.324m) which the Government has recently confirmed its financial support for; and
- **ongoing investment of £3m for the improvement of the road network across the borough.**

In terms of the non highways expenditure the Council continues to invest in the Borough's infrastructure, in particular:

- the provision of a new Joint Service Centre at Rawmarsh (£5.7m) with Rotherham NHS as part of the continued improvements in providing even better customer access and service experience for residents;
- the provision and fit out of a new civic building that will enable the Council to make available, for redevelopment, the site of the current civic offices as part of the Town Centre Masterplan. It will also allow the Council to fully implement its agile working initiative;
- enhancement work to: Woodseats library; town centre shop frontages and the railway station;
- Enhancing the landscape and public realm surrounding the Minster; and
- the completion of the Chantry Bridge flood defences.

Neighbourhoods and Adults Services Capital Programme 2011/12 to 2013/14

The total proposed expenditure over the period of the programme is **£58.781m**. A copy of the full programme is attached to this report at Appendix 3.

For the Housing part of the programme, the completion of the £299m Decent Council Homes programme means that the overall size of the future capital programme has significantly reduced regardless of overall reductions in government funding.

The main, ongoing source of funding for the programme from 2011/12 is now the "Major Repairs Allowance." This funding is announced annually and the Council has had an allocation of £12.35m confirmed. This is a reduction of £0.917m (6.91%) from the 2010/11 allocation of £13.267m. In common with other funding sources, the level of allocation for the future years 2012/13 and 2013/14 has had to be estimated pending confirmation. These estimates will be kept under review as part of in-year financial reporting.

Despite the reduction in government funding, the Council is continuing to create significant investment opportunities across the borough through:

- the provision of new social, affordable housing with a fourth phase of new build at Whitehill Road, Brinsworth (£0.597m). **In total, the Council is building 132 new homes for Rotherham residents;**

- An ongoing refurbishment programme which will see the fitting of new kitchens, bathrooms and central heating systems to houses (including void properties) along with external works (£24.170m over 3 years);
- Continuing to assist both public and private sector occupiers with disabilities to live at home by either carrying out adaptation work or making grants available for this purpose (£8.499m over 3 years); and
- Upgrading the Council's non traditional stock (£6.70m over 3 years)

Adult Services capital funding over the 3 years is estimated at £2.654m. The funding is available to support the priority areas of personalisation, reform and efficiency and includes a Personal Social Services allocation of £0.700m and a provisional allocation for 2012/13 of £0.716m.

Financial Services Capital Programme 2011/12 to 2013/14

The total proposed expenditure over the period of the programme is **£8.607m**. A copy of the programme is attached to this report at Appendix 4.

The Council is continuing to invest in its ICT infrastructure as part of its ICT Strategy. This Strategy is focussed on ensuring the Council is able to support effectively the services it delivers and promote new and innovative ways of working that could result in even greater efficiencies and effectiveness.

Funding of the Programme

The table shown below outlines the funding strategy associated with the schemes profiled above:

Funding	2011/12	2012/13	2013/14
	£m	£m	£m
Grants & Contributions	21.849	21.148	11.575
Supported Borrowing	0.463	0.315	0
Unsupported Borrowing	26.876	4.965	3.965
Usable Capital Receipts	1.431	1.458	1.237
Major Repairs Allowance	12.263	12.697	13.027
Revenue Contributions	1.029	2.731	2.230
Total	63.911	43.314	32.034

8. Finance

The financial implications are contained within the body of this report.

9. Risks & Uncertainties

The capital programme is funded through a number of sources; borrowing, both supported and unsupported (i.e. prudential borrowing), capital grants/contributions, major repairs allowance, revenue contributions and capital receipts. Any uncertainty over the funding of the programme rests on confirmation that grants/contributions and capital receipts continue to be available in coming years. The specific nature of these risks is outlined in greater detail above. Where funding sources are volatile in nature the risks will be managed by reviewing and where necessary amending the programme.

10. Policy and Performance Agenda Implications

The preparation of the Medium Term Financial Strategy incorporating a profiled capital programme and the associated revenue consequences, together with regular monitoring, highlights the Council's commitment to sound financial management.

12. Background Papers and Consultation

- Monitoring returns and budget setting details from Directorates.
- Government funding allocation letters.

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