

Leicester
City Council

**CABINET
COUNCIL**

**13 MARCH 2006
16 MARCH 2006**

CORPORATE CAPITAL PROGRAMME 2006/07 to 2007/08

Report of the Chief Finance Officer

1. Purpose of the report

- 1.1 This report recommends updating the “corporate” capital programme for the period 2005/06 to 2007/08 based on the Council’s Capital Strategy.
- 1.2 The proposed programme represents the final two years of the existing, agreed programme.

2 Summary

“Corporate” Programme

- 2.1 The Council approved a new Capital Strategy in November 2004. The Council subsequently set a 3-year capital programme (2005/06 to 2007/08) based upon the priorities and policies set out in that strategy, which are derived from the corporate plan.
- 2.2 The programme was derived from a prioritisation exercise. It included a number of reserve schemes which are dependent upon the availability of additional funding, and a number of schemes funded from unsupported borrowing.
- 2.3 As part of setting the Council’s general fund revenue budget, the Council approved a set of prudential indicators, which demonstrate that the council’s proposed borrowing is “prudent, affordable and sustainable”.
- 2.4 Whilst the expenditure profile of some schemes has changed since the 3 year programme was approved, the only changes proposed to actual provisions made are:-
 - (a) A package of changes totalling £2.6million to fund the additional funding required for the Performing Arts Centre. These are discussed in paragraph 3.14 of the supporting information

(b) A transfer of £50,000 to the main programme from the reserve programme provision for Capital Receipts Pump Priming to facilitate the development of Ashton Green.

(c) Inclusion in the programme of the John Ellis demolition scheme.

(d) Inclusion in the programme of the second year rolling programme for maintenance and improvement of Elderly People's Homes (to be funded from earmarked capital receipts). This was previously a reserve scheme.

(e) Inclusion in the reserve programme of a new Regeneration Opportunities scheme.

(f) Inclusion in the reserve programme of a crime and disorder initiatives scheme.

(g) Inclusion in the reserve programme of a scheme of delegation for Area Committee Capital Schemes

(h) Removal from the reserve programme of the UNIX server business continuity provision (£1.25 million). This is no longer required.

(i) A review of some rolling programmes held in the reserve programme.

"Service" Programmes

2.5 The majority of the Council's capital programme is funded from "service" resources. These are resources that are hypothecated to services by government guidance or local policy. Programmes funded from "service" resources are developed by the relevant corporate director with a recommended programme going to cabinet via scrutiny for comment.

2.6 The most significant "service" programmes are Housing, Transport and Education. Council has already approved programmes for Housing and Transport. The Education programme is expected to be considered on 3rd April 2006.

2.7 There is a proposed change to the recommended definition of service resources which reclassifies supported capital expenditure awarded by central government for specific purposes in the form of supported borrowing as corporate resources instead of service resources. This change is due to the fact that the recent settlement has resulted in the scaling back of central government support for supported borrowing so that it is no longer reasonable to assume that such allocations are self financing.

3. Recommendations

3.1 Cabinet is asked to:

i. Recommend the capital programme shown at Appendix A to Council;

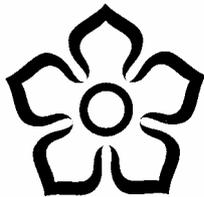
ii Note that the schemes denoted in the report to Council on 31st March 2005 as being "subject to further approval by Cabinet with regard to the detailed implementation of the scheme" will still require such approval before they can proceed.

- iii. Recommend to Council that the schemes on the Reserved List in Appendix B can only proceed subject to a further approval by Cabinet with regard to the detailed implementation of the scheme, and subject to additional funding becoming available;
- iv. Designate the following as service resources for the purposes of this programme (being resources which fall outside the scope of the corporate programme): -
 - housing capital receipts;
 - housing, education and transport elements of the Single Capital Pot;
 - profits made by the Housing Maintenance DSO;
 - capital grants awarded by central government for specific purposes;
 - third party contributions;
 - departmental revenue contributions.
- v. Recommend to Council to determine that the Integrated Transport and Decent Homes Standards groups of capital schemes are deemed to be capital programme areas within which corporate directors are permitted to reallocate resources on grounds of operational efficiency.
- vi. In connection with the Finance Procedure Rules: -
 - (a) approve a lower decision limit of £250,000, being the limit above which directors need to seek Cabinet approval for changes to the capital programme which would otherwise be delegated to them (principally changes funded by service resources and spend to save schemes);
 - (b) recommend that the Council approves a higher decision limit of £1 million, being the amount below which the Cabinet can make changes to the programme, provided the revenue impact can be met from other budgets within the Cabinet's virement limit;
- vii. Note that the above limits apply to the capital programme as a whole, not just the corporate capital programme (but without prejudice to any decisions the Council takes about the transport capital programme).

4. Financial and Legal Implications

- 4.1 This report is exclusively concerned with financial issues. Peter Nicholls, Legal Services, has been consulted as Legal Advisor and has confirmed that there are no legal issues arising from the report.

Author
Steve Charlesworth
Head of Strategy and Development



Leicester
City Council

**CABINET
COUNCIL**

**13 MARCH 2006
16 MARCH 2006**

CORPORATE CAPITAL PROGRAMME 2006/07 to 2007/08

Report of the Chief Finance Officer

SUPPORTING INFORMATION

1. Capital Strategy

- 1.1 The Council adopted its Capital Investment Strategy in November 2004. The purpose of the strategy is to set out the policies and practices which the authority uses to establish, monitor and manage the Council's entire future capital programme for the period 2005/06 to 2007/08.
- 1.2 The strategy encompasses the requirements and opportunities afforded by the Prudential Framework which came into effect from April 2004.
- 1.3 The Capital Strategy sets out two overarching priorities for investment of "corporate" resources:
- (a) Schemes which enhance the quality of the local environment which have a visible, lasting effect; and
- (b) Spending which enables us to make continuous improvement in a well-managed organisation, particularly making appropriate investment in our stock of buildings and assets and in modernising service deliveries through technologies.
- 1.4 The strategy addresses the "Single Capital Pot", which is a sum of money allocated by Government to spend on capital, and is made with reference to individual services. The strategy acknowledges that, although authorities are free to spend Single Capital Pot allocations on whatever capital purposes they determine, government departments appear to expect allocations to be ring-fenced. In the case of DfES, the Secretary of State has reserve powers to enforce this.
- 1.5 The presumption is to ring-fence the allocations in the SCP to the services to which they are notionally allocated (Housing, Transport – including highways maintenance, and Education), subject to an appropriate case being made. The prime reason for this is a substantial service requirement for investment, specifically: the need to ensure that educational achievement is supported by buildings and infrastructure which are fit for purpose; the need to address the decent homes standard and to create new affordable housing; the need to improve the city's road conditions, a performance indicator (PI) on which the authority is struggling; and to achieve the Local Transport Plan.

2. Resources

2.1 Types of Capital Resources

2.1.1 Capital resources are sources of funding for capital projects. They include borrowing, capital grants, revenue contributions, and the proceeds of the sale of property (capital receipts). The Council has divided capital resource into 2 categories: "Service" resources and "Corporate" resources.

2.1.2 "Service" resources are those resources ring-fenced to a particular service or scheme by government or local policy.

2.1.3 "Corporate" resources are those resources that can be spent entirely at the Council's discretion. The Corporate capital programme is only concerned with schemes funded from "corporate" resources. Programmes funded from "Service" resources are recommended to Cabinet by the relevant Corporate Director after consultation with the relevant scrutiny committee. Corporate resources may be "supported" (i.e. funded by central government); "unsupported" (borrowed by the Council, and paid for out of the revenue budget); or capital receipts.

2.1.4 The most significant "service" programmes are housing, transport and education.

2.2 "Corporate" Resources

2.2.1 Capital receipts, excluding housing receipts and capital receipts earmarked for specific schemes, have been designated as "corporate" resources for the 2005/06 to 2007/08 capital programme. The other main "corporate" resource is contained within the Single Capital Pot (SCP) for other services.

2.2.2 The Council anticipates receiving £2.3 million, payable over two years (2005/06 and 2006/07), from the capital element of the reward grant derived from local Public Service Agreements. This has been treated as a corporate resource.

2.3 The Government's Capital Settlement

2.3.1 The government has announced a SCP allocation for Leicester for 2006/07 of £18.401 million. This compares to an allocation of £20.122 million in 2005/06.

2.3.2 The SCP has been arrived at as follows.

Single Capital Pot	2005/06 £000	2006/07 £000	% increase (decrease)
Housing	8,173	*5,500	
Transport – Package	6,388	6,947	8.8
Transport – Maintenance	3,226	3,383	4.8
Social Services	172	186	8.1
Education	2,163	2,385	10.3
Total	20,122	18,401	

* This figure is not comparable with that for 2005/06 because the general fund housing support in 2006/07 is to be provided in the form of grant as opposed to supported borrowing in 2005/06. The figure of £5.5 million support for housing relates solely to the HRA, with support provided through the housing subsidy mechanism.

2.3.3 Housing

The General Fund Housing allocation has still not been announced. This is to be paid in the form of direct grant from 2006/07.

2.3.4 Transport

The LTP package element has increased by 8.8% from £6.388 million to £6.947 million. The maintenance element has increased by 4.8% from £3.226 million to £3.383 million in 2005/06. This is better than was originally anticipated.

2.3.5 Education

The Education element of the Single Capital Pot increased by 10.3% compared to 2005/06 and is in line with expectations.

2.3.6 The SCP resources available as “corporate” resources are therefore £186K.

2.4 Funding

2.4.1 The total Corporate Capital Resources planned to be used for the programme is estimated as follows:

	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m	Total £m
Single Capital Pot	0.2	0.2	0.2		0.6
Capital Receipts	6.8	4.0	4.0		14.8
Local PSA	1.1	1.2	0.0		2.3
Earmarked	1.8	3.3	2.7	1.0	8.8
Revenue		4.7	0.1	0.1	4.9
Brought Forward	11.3				11.3
Prudential Borrowing	0.1	23.6	20.8		44.5
TOTAL	21.3	37.0	27.8	1.1	87.2

2.4.2 Earmarked Resources

Schemes within the programme which are being resourced, at least partly from earmarked receipts include: Saffron Lane Sports Centre replacement changing rooms, gym and store, earmarked from proceeds of the sale of the velodrome; the Learning Disabilities Day Services Modernisation and Elderly People’s Homes, earmarked from the proceeds of the Day Centre sale and the PAC and CLABs review which are partly financed from the disposal of surplus properties.

2.4.3 Prudential Borrowing

As part of previous revenue and capital budgets, the Council approved unsupported prudential borrowing towards financing the following projects: Capital Maintenance, CLABs, Public Realm improvements and the Performing Arts Centre.

3. Approved Schemes

3.1 The capital programme is shown at Appendix A, and includes any residual spending from the 2002/03 to 2004/05 programme. The following section briefly describes each new scheme 2005/06 to 2007/08 agreed at Council in March 2005 which will not have been completed before 2006/07, including reserve schemes:

3.2 Water Hygiene - £350,000 per annum

On-going remedial work to reduce the risk to employees, customers and public of infection due to contaminated water in buildings as identified in the Water Hygiene Risk Assessments and to set up a system to automate works as required. High risk buildings are considered to be EPHs, primary schools (where the users are more susceptible to legionella) and leisure centres.

3.3 Glenfield Tunnel - £745,000

Work is required to reduce the risk of structural collapse. A recent survey has established that the loading on the tunnel is above what is considered as satisfactory safety levels and is recommending the work should be carried out within the next year.

3.4 Hamilton Footbridge - £192,000

There is a planning obligation on the Council and Hamilton Trust to build bridge at a total cost of £750,000. Under the development agreement, there is a time limit of November 2007.

3.5 Hamilton Community Facilities - £670,000

This scheme provides various community / leisure facilities in keeping with the increase in size of the development of Hamilton as a community. The scheme includes an extension to the Community Hall, Football changing rooms and Neighbourhood Equipped Area for Play and work is due to start in 2007/08.

3.6 Watercourse Maintenance / Improvements - £200,000

This on-going scheme will carry out urgent repairs and improvements to watercourses in the City reducing the risk of flooding to properties. This includes maintaining the free flow of water throughout the watercourse network and maintains the upkeep of the city's flood retention areas.

3.7 Replacement of Litter Bins - £100,000

This supplements the current revenue budget and enables the development of a rolling programme to replace existing litterbins across the whole city over the next few years.

3.8 Video Conferencing - £30,000

This scheme, approved by Cabinet in January 2006, replaced the Mobile Customer Services Centre scheme.

3.9 CCTV – Kirby Frith - £60,000

This is for the installation of 3 CCTV cameras in the Kirby Frith area of the City.

3.10 Children's Residential Homes - £100,000 per annum

This is a rolling programme to maintain and improve existing premises to enable compliance with national standards and Commission for Social Care Inspection requirements and compliance with Health and Safety rules. It will enable the Council to provide an appropriate and safe environment for children and young people in care, and an avoidance of expensive reactive repairs to buildings and equipment.

3.11 Electronic Scanning - £500,000

This involves the scanning of existing Social Care and Health service user paper files to allow for electronic retrieval within the departmental client system from a single file location for all information to speed up responses. Staff at remote sites will be able to access records with reduced risk of loss/theft/compromise and storage space will be released following the destruction of paper files.

3.12 Learning Disabilities Day Centre Modernisation - £850,000

On-going modernisation of learning disability service provision, creating a centre of excellence and development of community bases, funded from earmarking the proceeds of the sale of sale of Fosse and South Lodge Day Centres.

3.13 Saffron Lane Improvements - £1.220 million

This is to improve the facilities currently provided at Saffron Lane, by replacing the changing rooms, gym and store.

3.14 Contribution to Performing Arts Centre - £26.070 million

This figure reflects the Corporate Capital programme contribution to the Performing Arts Centre within the time period of the current programme, which includes revenue contributions of £4.9million and prudential borrowing of £9.73million.

This figure is £2.6 million higher than the figure last approved (June 2005). The additional requirement will be partially financed as follows:-

(a) Savings from slippage from existing on-going capital programme schemes (£495,000) – These savings are from schemes which consistently have not spent their annual allocation and are not expected to spend their 2005/06 allocation. These are: Bridge Refurbishment £50,000, Watercourses £50,000, Litter bin replacement £50,000, Riverside improvements £50,000, Local Environment Works £65,000, and Water Hygiene £230,000;

(b) Savings identified from uncommitted spend on Private Street Adaptations (£330,000) – Only £170,000 has been committed to spend from an original total of £500,000, leaving a balance of £330,000 uncommitted.

(c) Capital Receipts (£1.025million) – Additional capital receipts and increases in sale valuations have been identified since the corporate capital programme was agreed in March 2005.

(d) Revenue (£250,000) – Savings to be found within the Regeneration and Culture Departmental Revenue Budget from 2006/07 to 2008/09, based on new proposals not to dispose of the Haymarket Car Park. This was a growth item in the 2006/07 budget.

The balance of £0.5 million will be found from corporate resources. Given the intrinsic risk of this scheme, and the critical phase of the project it is further recommended that £1.0 million in the approved programme set aside for public realm works to complement LRC interventions be temporarily placed in the reserve programme. This leaves £2.9 million in the approved programme for these works. The need for this will be reviewed in six months time when a number of significant risks will have been dealt with or crystallised.

3.15 DDA Programme - £1.3 million

Rolling programme to improve access to buildings / signage and lift refurbishment.

3.16 Bridge Refurbishment - £475,000

This is an on-going programme to improve the condition and appearance of bridges, mainly on the Great Central Way.

3.17 Festive Decorations - £150,000 per annum

Replacement programme of existing decorations; Health and Safety Works and additional lighting for areas of the City.

3.18 Local Environment Works - £330,000 per annum

This on-going scheme has enabled a programme of local works to be developed improving lighting, conditions of footways and verges, reducing delays to public transport and improving untidy land areas.

3.19 Adoption of Private Streets - £170,000

This is a rolling programme to bring all roads / footways up to a reasonable standard and improve accessibility for local residents.

3.20 Financial System Replacement - £1.14 million

Existing system uses out of date technology which will cause problems with future integration, on-going support and reliability. The £1.14 million does not represent the full cost of replacement - the balance will be found on a spend-to-save basis. Replacement is integral to efficiency improvements anticipated as part of the support services review and to effective control of the Council's procurement.

3.21 Elderly People's Homes - £500,000

These are the costs for 2005/06 and 2006/07 of the rolling programme to maintain and improve existing premises. This includes a complete window replacement programme, refurbishing bedrooms and shower facilities, pilot en-suite bedrooms, door closer to corridor doors and slip, trips and falls prevention work.

3.22 Corporate EDRMS - £600,000

Introduction of a corporate Electronic Document Records Management System (EDRMS) to rationalise, maintain and improve property by freeing up office space and providing the potential for remote working.

3.23 LAN Upgrade - £100,000 per annum

This on-going work involves upgrading to the Local Area Network (LAN) infrastructure to improve security, performance and resilience.

3.24 Riverside - £351,000

This is a rolling programme to fund a range of environmental and regeneration improvements to the riverside, including improvements to wildlife habitats, access, mooring facilities and the appearance of the riverside area.

3.25 Centrally Located Admin Buildings (CLABs) Review - £29.676million Gross

This is a major programme of works / acquisitions in respect of central offices at a cost of £29.676 million gross funded by prudential borrowing of £25.026 million and earmarked receipts of £4.65 million. These figures reflect the position as approved by Council. A detailed programme of works remains to be approved by the Cabinet.

3.26 City Centre Development - £6.840 million

This scheme focuses on improving the environment of the City centre, including reconstructed streets, new City centre signing and information system, improvements to car parks, provision for cycling and improved access for disabled people.

3.27 LRC Intervention Areas - £2.9 million

This scheme focuses on the improvements to the LRC Intervention Areas. A further £1million is included in the reserve programme.

3.28 Duns Lane (Bowstring Bridge) - £466,000

Further surveys are being carried out, but the likelihood is that the bridge will need to be demolished for Health and Safety reasons.

3.29 Ashton Green - £50,000

The Council owns over 200 acres of land which is being brought forward for housing development, and which will provide very substantial capital receipts over a number of years. An initial investment in the region of £50,000 is required in order to submit a new planning application, update the Planning Guidance, update the Environmental Statement, and to produce an amended Traffic Study.

3.30 John Ellis Demolition Provision - £268,000

This relates to the residual cost for the demolition of the former John Ellis site (for which some EMDA funding has already been approved for costs incurred in 2005/06) which will fall into the 2006/07 financial year and for which no source of grant funding is currently guaranteed. The demolition, in any event, enhance the value of the site.

4. Reserve Schemes

4.1 The following schemes are good schemes, according to the prioritisation system, but which cannot be afforded within available resources and so are held as reserve schemes dependent upon further resources being identified. If additional funding is realised, further approval will be sought from Cabinet to include these schemes in the programme. In some cases, schemes are at a fairly early stage in their development and therefore further work is required before detailed proposals can be brought back to Cabinet.

4.2 Kick-about Areas - £730,000

This will provide additional kick-about areas attached to 4 Neighbourhood Centres across the City, and one attached to Keepers Lodge. This scheme was transferred to the reserve capital programme pending the achievement of capital receipts from the velodrome disposal.

4.3 Astroturf Pitches - £500,000

This is to provide for the replacement of the Astroturf pitches currently situated at Saffron Lane Velodrome. This scheme has been transferred to the reserve capital programme pending the achievement of capital receipts from the velodrome disposal.

4.4 Pool Refurbishment - £400,000

Refurbishing the pools and changing rooms at Evington and Beaumont Leys Leisure Centres.

4.5 Capital Receipts Pump Priming - £300,000

This is to enable works to be carried out which will then generate capital receipts.

4.6 Feasibility Studies - £500,000

This is to provide Council wide reviews of depots and office accommodation to identify areas for rationalisation and disposal opportunities.

4.7 Regeneration Opportunities - £400,000

This is to allow the Council to bring forward schemes at short notice so as to be able to seize external funding opportunities.

4.8 Initiative to combat Crime and Disorder - £400,000

This is in response to the recent MORI poll and includes installing alley-gate in burglary hot spots across the City and the extension of safer routes to tackle street robbery by improving street lighting and CCTV in targeted areas of the City.

4.9 Area Committee Capital Schemes - £300,000

This is a proposed block sum set aside to be delegated for Area Committees to utilise as they determine for minor capital schemes.

4.10 Replacement of People's Network - £150,000 per annum

This is a rolling programme to replace public access computers in all libraries across the City.

4.11 Mobile Working - £120,000

This is an evaluation and development of ICT solutions in order to access corporate systems (email/intranet/applications) via portable devices (laptops, PDA, smart phones, etc).

4.12 Elderly People's Homes - £250,000

This represents the final year costs of a rolling programme to maintain and improve existing premises. Spending is consistently at this level.

4.13 Library Improvements - £500,000

This is a programme of maintenance and improvements to current City libraries.

4.14 Disabled Children's facility at Barnes Heath - £150,000

A base for the Disabled Children's Inclusion Service is to be developed at Barnes Heath House, which will also include some day care facilities. This is required to facilitate the planned relocation of the service as set out in the recently approved Departmental Revenue Strategy. A contribution to the cost of the work may be available from the 2005/06 Children's Social Services revenue budget, but capital programme funding will be needed to enable the scheme to be progressed and revenue budget efficiencies to be achieved.

4.15 Public Realm Works - £1.0 million

These are improvements to the LRC Intervention Areas. This work can be undertaken once additional funding is secured for the Performing Arts Centre.

4.16 Investment into LEP - £70,000

This is a one-off cost enabling the City Council to make a financial investment to the Local Education Partnership.

4.17 Book Theft Detection System - £200,000

This scheme provides for the replacement of the book detection system for 10 libraries within the City.

4.18 PC Server Business Continuity - £100,000

This is to provide a disaster recovery plan for corporate PC servers.

4.19 Modernising Social Care ICT Services - £250,000 per annum

Extending and developing the use of new technology and its link to IT systems allowing all client records to be held electronically, enabling instant access to information, improved efficiency and home working.

4.20 Strengthening IT Infrastructure - £200,000 per annum

This involves developing the use of hand held and other out-of-base devices for direct input and retrieval of data in Social Care and Health.

4.21 Built Heritage (Net) - £50,000 per annum

This scheme involves awarding grants to the private sector to carry out work on properties in keeping with the area.

4.22 Neighbourhood Centre Refurbishment - £50,000

This scheme is to carry out refurbishments at the Manor House Neighbourhood Centre.

4.23 Replace 2 Children's Mobile Library Vehicles - £180,000

This involves the replacement of 2 Children's Mobile Library Service Vehicles – the bookbus for the under 5s and the bookbus for children 5 – 14 in regeneration areas of the City.

4.24 Town Hall Improvements - £115,000 per annum

This is a rolling programme to provide continuous routine maintenance and updating at the Town Hall.

4.25 Staff Bases and other buildings - £200,000

This scheme is to provide essential and highly desirable minor works to staff bases and other Social Care and Health buildings and offices.

4.26 Learning Disability Bases - £300,000

This represents alterations to improve out-dated accommodation and meet new registration requirements together with adaptations to community bases.

4.27 Central Library – Option Appraisal - £70,000

This scheme would involve carrying out an option appraisal for a PFI submission for a new Central Library.

4.28 Regeneration and Culture ICT Infrastructure - £500,000

This is the development of the Regeneration and Culture ICT infrastructure fulfilling legislative requirements of the new Traffic Management Act and the Licensing Act.

4.29 Workplace Nursery - £70,000

Alterations to the building which may enable the ratio of staff to children to be maximised and therefore assist the nursery become self-sufficient. The revenue budget 2006/07 to 2008/09 provides for a subsidy from the Council to continue until August 2006. The need for this provision will be reviewed when revenue budget decisions are implemented.

4.30 Telephone System Evaluation - £10,000

The existing system is likely to be outside of any maintenance arrangements within the next few years, which will precipitate the need for a new system beyond this capital programme.

5. Contingency for Further Pressures

- 5.1 The capital programme will be rolled forward by 1 year each year. It is considered unlikely that there will be scope for substantial additions to the 3-year programme from 2005/06 to 2007/08, especially given that there are still 29 schemes on the reserve list. The estimated resources exceed the proposed programme (excluding the reserve programme) by £3.186million. If all the schemes on the reserve list were approved there would be a shortfall of £5.644million. The Council has embarked on three substantial projects at this time: Building Schools for the Future (BSF); Centrally Located Administrative Buildings; and the Performing Arts Centre. Such large projects carry with them significant financial risks to the Council. At present, the sum of £3.186million has been left uncommitted to deal with potential risk on these larger schemes. The sum can be committed to reserve schemes later in the year assuming it is not required.

6 Prudential Borrowing

- 6.1 The approved capital strategy states that the Council will use the prudential framework to finance capital investment in the following circumstances: -

a) "Spend to Save" schemes, where principal and interest costs of unsupported borrowing can be met from savings achievable from up front investment.

b) "Once in a generation" investment opportunities, and a small handful of significant development projects which meet corporate priorities. It is anticipated that unsupported borrowing in this context will only be used to support substantial projects which can attract significant leverage.

c) As a last resort, as a cost avoidance measure.

6.2 Spend to Save schemes

A specific protocol has been adopted. Experience suggests that this should be amended to include the following, and the protocol has been amended accordingly:

a) A further criteria of allowable prudential borrowing has been added, specifically where such borrowing is for vehicles / equipment that could otherwise have been leased and the lease rentals charged directly to revenue accounts.

b) Changes have been made to enable the Chief Finance Officer to vary the way departments are charged for prudential borrowing, in order that charges reflect the useful life of the asset acquired (i.e. borrowing will be repaid before the asset ceases to be of value).

The protocol has also been revised to reflect the financial procedure rules.

There is no provision for spend to save schemes in the budget, as these should be self-supporting, though there may be a small cashflow impact on the departmental revenue budget.

6.3 Unsupported Borrowing

The Corporate Capital Programme includes schemes which meet the conditions in the Capital Strategy for use of Prudential Borrowing: Centrally Located Administrative Buildings (CLABs), City Centre Public Realm Schemes, and a £9.7million contribution to the Performing Arts Centre. The table below shows the amount of Unsupported Borrowing for each scheme and the revenue implications over the period of the Capital Programme 2005/06 to 2007/08.

Unsupported Borrowing	TOTAL
	£000's
CLABs	25,026
Public Realm	9,740
Performing Arts Centre	9,730
SUB – TOTAL	44,496

The full year borrowing of these schemes (i.e. the cost in the first full year after completion) is as follows: -

Estimated Financing Costs	Total
	£000's
CLABs	2,377.5
Public Realm	1,485.7
Performing Arts Centre	924.0

These estimated capital financing costs are resulting from the additional unsupported borrowing which would be charged directly to the revenue budgets of the appropriate department. Provision for these costs has been made within the authority's revenue budget set by the Council on 23 February 2005, based on assumptions on asset lives and an interest rate of 5.5%. Assumed asset lives are: -

(a) CLABs and Performing Arts Centre – 25 years;

(b) Public Realm improvements – 12 years.

6.4 Payback Fund

The Council also holds a Payback Fund which was financed from a revenue reserve, with a gross value of £400,000. This is used to finance relatively small scale spend to save projects, with a payback period typically of 3 years.

6.5 Prudential Indicators

The prudential indicators for general fund borrowing and HRA borrowing were approved as part of the general fund budget. This programme complies with these indicators.

7. Financial Implications

7.1 This report is exclusively concerned with financial issues.

8. Legal Implications

8.1 There are no specific legal implications arising from this report. Peter Nicholls, Legal Services has been consulted as Legal Advisor and has confirmed that there are no legal issues arising from the report.

9. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	NO	
Policy	YES	The programme has been formulated with reference to the approved capital strategy.
Sustainable and Environmental	NO	
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	NO	

10. Background Papers – Local Government Act 1972

10.1 Council 25/11/04 – Capital Strategy 2005/06 to 2007/08

10.2 Council 31/03/05 – Corporate Capital Programme 2005/06 to 2007/08

11. Consultations

11.1 All departments have been consulted on the programme. The public has been consulted on capital priorities.

12. Report Author

Steve Charlesworth
Head of Strategy and Development