

Report of the Deputy Chief Executive

Report to Executive Board

Date: 16th July 2014

Subject: Capital Programme Quarter 1 Update 2014-2017

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report sets out the latest capital programme position for both the General Fund and the Housing Revenue Account (HRA).
2. The Council continues to seek to deliver a large and ambitious capital programme across the city which will provide improved facilities and infrastructure and which supports the Leeds economy, whilst ensuring the impact on debt costs within the revenue budget is managed.
3. Whilst the capital programme remains affordable in 2014/15, a wider review will consider the continued affordability of debt costs in future years in the context of: planned expenditure and the Council's best plan priorities; projections on interest rates; and the continued strength of the Council's balance sheet to fund capital spend. Scheme phasing will continue to be monitored to ensure that it is accurate and realistic.
4. The HRA programme remains affordable over the next 3 years.
5. Major schemes continue to progress, albeit with lower than expected spend, with no significant concerns to report at this stage.

Recommendations

Executive Board is requested to:

1. Note the latest position on the General Fund and HRA capital programmes;

1. Purpose of this report

- 1.1. The purpose of the report is to provide Members with an update on the capital programme position as at June 2014. The report includes an update of capital resources, progress on spend and a summary of the economic impact of the capital programme.

2. Background information

- 2.1. The Capital Programme approved by Council in February 2014 projected expenditure of £861.8m from 2014/15 to 2016/17. This included borrowing of £317.7m over the period, including £119.2m in 2014/15. The cost of financing this borrowing was included in the debt budget also approved in February.

3. Capital Programme

3.1. Restated Capital Programme - Outturn

- 3.1.1. Since the approval of the Capital Programme in February 2014, the provisional 2013/14 accounts have been completed and the position reported to Members as part of the June Revenue Outturn Report to Executive Board. Consequently the 2014/15 and future years capital programme has been restated and the resources position has also been updated. Table 1 shows the revised capital programme for 2014/15 to 2016/17 as at Outturn.

3.1.2. Table 1: Outturn 2013/14 – Restated Capital Programme 2014/15 – 2016/17

	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Forecast Expenditure	371.0	269.8	262.9	903.7
Funded By:				
Government Grants	134.4	93.3	84.3	312.0
Other grants & contributions	23.4	8.1	5.4	36.9
Borrowing	127.2	105.7	107.5	340.4
Revenue / reserves	17.0	1.0	5.0	23.0
HRA Self Financing	69.0	61.7	60.7	191.4
Total Forecast Resources	371.0	269.8	262.9	903.7

3.2. Capital Programme Latest Position

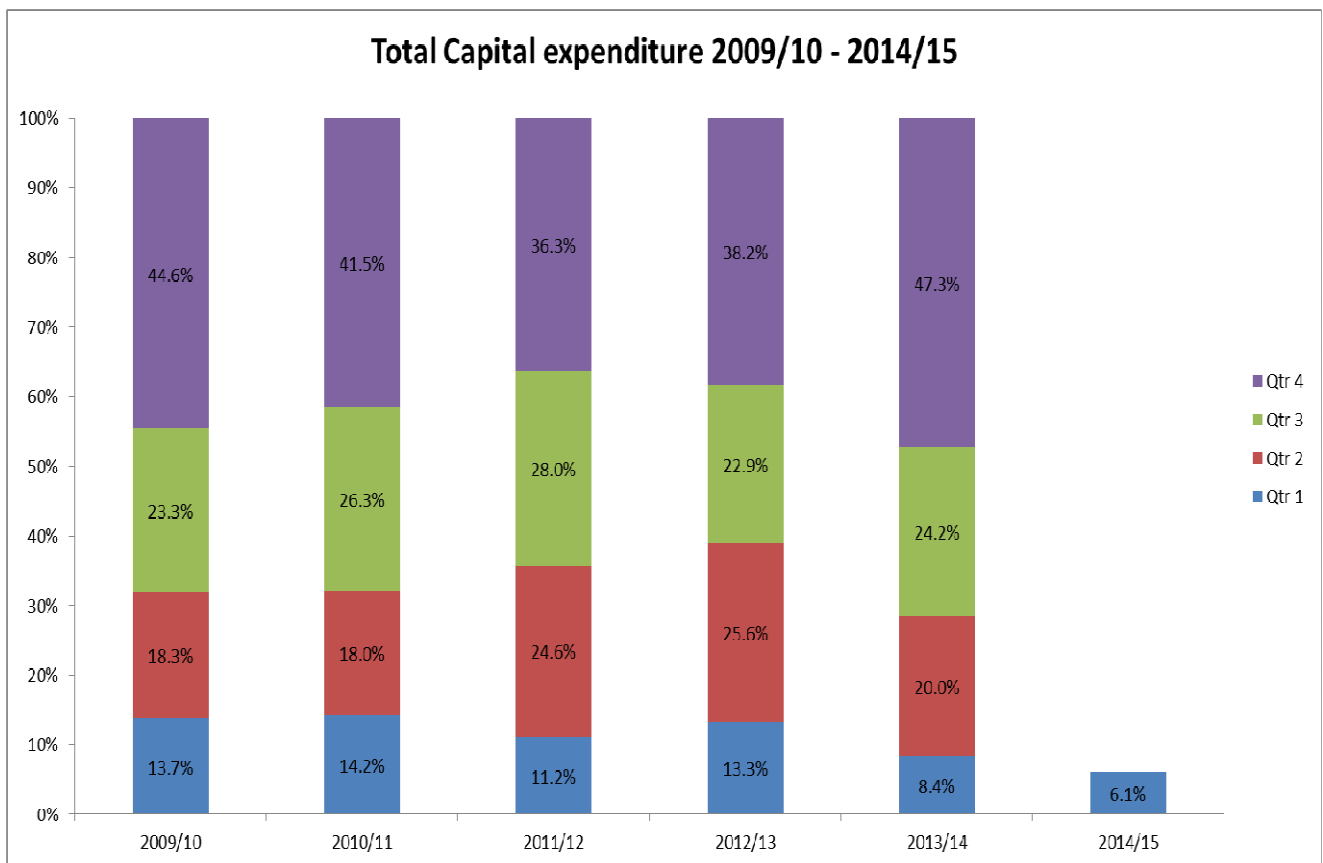
- 3.2.1. The General Fund capital programme currently stands at £665.9m for the period up to 2016/17. It provides for investment in improved facilities and infrastructure and also has an impact on the Leeds economy through supporting jobs and income and business generated throughout the city. The HRA capital programme provides for capital investment of £237.0m for the 3 years 2014/15 through to 2016/17.
- 3.2.2. The latest capital programme resources position for General Fund and HRA in 2014/15 is shown in Table 1 below.

Table 1 – Capital Resources Position

	2014/15	
	Outturn 2013 £m	Latest £m
Forecast Expenditure	371.0	370.0
Funded By:		
Government Grants	134.4	136.3
Other grants & contributions	23.4	22.1
Borrowing	127.2	125.5
Revenue / reserves	17.0	17.1
HRA Self Financing	69.0	69.0
Total Forecast Resources	371.0	370.0

- 3.2.3. The current forecast position for 2014-17 is set out in **Appendix A**. This shows a slight increase in the level of borrowing required to fund the 2014-17 capital programme of £0.7m from £340.4m to £341.1m since Outturn 2014.
- 3.2.4. Appendix A details projected spend in 2014/15 of £370m. Figure 1 shows that the rate of actual spend as a percentage of total in year spend in Quarter 1 is lower than in previous years. In addition, the current projection of £370m is significantly higher than actual spend delivered in previous years. This analysis of current actual expenditure, previous annual total spend and relative rates of expenditure show that this level is unlikely to be achieved in 2014/15. A review of current scheme profiles and capacity to deliver the capital programme is currently being undertaken.

Graph 1: Percentage spend rates per quarter



- 3.2.5. A wider review is also planned over the next few months with the aim of reprioritising existing resources to ensure the capital programme contributes to the delivery of the Best Council Business Plan. A series of consultations will be undertaken and the outcome included in the Quarter 2 update to Executive Board.
- 3.2.6. The cost of funding the capital programme remains affordable and within the agreed 2014/15 debt budget. However, based upon current levels and phasing of the capital programme debt costs are projected to increase by £3m in 15/16 and a further £5.2m in 16/17. These projections will continue to be adjusted for changes in the level of borrowing required to fund the capital programme, interest rates and the continued strength of the Councils balance sheet. The affordability of debt will continue to be monitored and assessed in the context of the medium term financial plan.
- 3.2.7. The February Capital Programme update report 2014-2017 detailed the major schemes within the capital programme. Whilst spend on these schemes remains low, they continue to progress with no major concerns to report at this stage. A full update date on these schemes will be provided in the Quarter 2 update report to Members in November 2014.

4. Economic Impact of the Capital Programme

- 4.1. Members will recall that the February 2014 Capital Programme update included details of the Economic Impact Assessment of the Council's capital programme investment on the Leeds economy. This stated that in total, Leeds City Council capital programme will support up to 1,500 jobs annually and generate £147m GVA in the Leeds City Region– equivalent to 0.3% of the City Region's total GVA of £54bn. This equates to 1,300 full time jobs annually in Leeds, generating £134m for the Leeds economy – equivalent to around 0.7% of Leeds' total GVA of £18bn, with a further 200 jobs.

5 Corporate Considerations

5.1 Consultation and Engagement

Consultation on the Council's budget proposals, including the capital programme, took place prior to the finalisation and approval of the budget in February 2014. This report gives an update on progress with the approved capital programme. This report also seeks to inject funding for specific proposals for which the necessary consultations will take place when the individual schemes are implemented by services.

5.2 Equality and Diversity / Cohesion and Integration

The capital programme sets out a plan of capital expenditure over future years and further spending decisions are taken in accordance with capital approval processes, as projects are developed. This is when more detailed information will be available as to where in the city capital spending will be incurred and the impact on services, buildings and people. Service Directorates will include equality considerations as part of the rationale in determining specific projects from capital budgets.

5.3 Council policies and City Priorities

Capital objectives were set out as part of the February 2014 budget process and the capital programme approved in February 2014 is structured to show schemes under these objectives.

5.4 Resources and value for money

- 5.4.1 The resource implications of this report are detailed in section 3.2 above. For the capital programme to be sustainable, the Deputy Chief Executive must be satisfied that the cost of borrowing currently included in the capital programme can be contained within the approved revenue debt budget. The updated capital resources position statement set out in Appendix A shows that the cost of borrowing for 2014/15 can currently be contained within the agreed 2014/15 debt budget.
- 5.4.2 For HRA, the position outlined in section 4 shows that expenditure can be managed within resources available.

5.4.3 In order to ensure that schemes meet Council priorities and are value for money, the Deputy Chief Executive has put processes in place to ensure:

- the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources;
- promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic;
- the use of departmental unsupported borrowing for spend to save schemes is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

5.5 Legal Implications, Access to Information and Call In

The recommendations in this report are available for call in and there are no other legal implications arising from this report.

5.6 Risk Management

5.6.1 One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is now fully funded this risk lays within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources and capital receipts and debt monitoring to ensure that this risk can be managed effectively.

5.6.2 In addition, the following measure are in place:

- ensuring written confirmation of external funding is received prior to contractual commitments being entered into
- provision of a contingency within the capital programme to deal with unforeseen circumstances
- compliance with both financial regulations and contract procedure rules to ensure the Council's position is protected.

5.6.3 The February report highlighted that, given the aspiration not to increase the level of debt, only new schemes that are fully funded (either by external resources or departmental prudential borrowing), or are essential (under health and safety grounds or in order to ensure Council assets are maintained for continued service provision) should be injected in the programme. A review is underway to ensure that the programme remains relevant within the context of the Best Council Business Plan objectives and is affordable in future years.

6 Conclusions

- 6.1 The Council continues to seek to deliver a substantial capital programme across the city which will deliver improved facilities and infrastructure and also support the Leeds economy.
- 6.2 The report concludes that the capital resources position statement shows a slight increase in the level of borrowing required to fund the 2014-17 capital programme of £0.7m to £341.1m since Outturn 2013. The cost of borrowing for 2014/15 can currently be contained within the agreed debt budget.
- 6.3 Spend on schemes is lower than anticipated. A review of current scheme profiles and capacity to deliver the capital programme is currently being undertaken and will be reported back to Members in the Quarter 2 update in November 2014.
- 6.4 For HRA, forecast expenditure can be contained within available resources in 2014/15.

7 Recommendations

Executive Board is requested to:

- 8.1 Note the latest position on the General Fund and HRA capital programmes.

Appendices

A – Capital Programme Funding Statement

Background documents¹

None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

CAPITAL PROGRAMME RESOURCE STATEMENT 2014/15 TO 2016/17

02/06/2014

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
EXPENDITURE				
GENERAL FUND (GF)				
IMPROVING OUR ASSETS	69,574.5	67,926.7	58,031.5	195,532.7
INVESTING IN MAJOR INFRASTRUCTURE	52,014.7	44,628.2	24,471.4	121,114.3
SUPPORTING SERVICE PROVISION	76,855.8	50,851.7	69,605.7	197,313.2
INVESTING IN NEW TECHNOLOGY	16,562.1	6,137.4	6,126.0	28,825.5
SUPPORTING THE LEEDS ECONOMY	40,274.6	20,911.9	18,574.1	79,760.6
CENTRAL & OPERATIONAL EXPENDITURE	18,427.1	12,471.5	12,462.8	43,361.4
TOTAL ESTIMATED SPEND ON GF	273,708.8	202,927.4	189,271.5	665,907.7
HOUSING REVENUE ACCOUNT (HRA)				
IMPROVING OUR ASSETS	96,171.7	68,586.4	72,198.0	236,956.1
INVESTING IN MAJOR INFRASTRUCTURE	0.0	0.0	0.0	0.0
SUPPORTING SERVICE PROVISION	0.0	0.0	0.0	0.0
INVESTING IN NEW TECHNOLOGY	85.7	0.0	0.0	85.7
SUPPORTING THE LEEDS ECONOMY	0.0	0.0	0.0	0.0
CENTRAL & OPERATIONAL EXPENDITURE	0.0	0.0	0.0	0.0
TOTAL ESTIMATED SPEND ON HRA	96,257.4	68,586.4	72,198.0	237,041.8
TOTAL ESTIMATED SPEND (GF & HRA)	369,966.2	271,513.8	261,469.5	902,949.5
RESOURCES				
GENERAL FUND (GF)				
Specific Resources				
GRANTS AND CONTRIBUTIONS	13,744.5	3,722.2	3,713.7	21,180.4
GOVERNMENT GRANTS	134,288.6	91,537.1	84,151.4	309,977.1
Corporate Resources				
RCCO / RESERVES	123.6	8.6	0.0	132.2
BORROWING - Departmental	16,601.9	14,393.3	18,408.2	49,403.4
BORROWING - Corporate	108,950.2	93,266.2	82,998.2	285,214.6
RESOURCES REQUIRED FOR GF	273,708.8	202,927.4	189,271.5	665,907.7
HOUSING REVENUE ACCOUNT (HRA)				
Specific Resources				
GRANTS AND CONTRIBUTIONS	8,317.6	5,926.0	0.0	14,243.6
GOVERNMENT GRANTS	2,015.0	0.0	0.0	2,015.0
RCCO / RESERVES	16,929.2	1,011.0	5,000.0	22,940.2
HRA SELF-FINANCING	68,995.6	61,649.4	60,708.0	191,353.0
BORROWING - Departmental	0.0	0.0	6,490.0	6,490.0
BORROWING - Corporate	0.0	0.0	0.0	0.0
RESOURCES REQUIRED FOR HRA	96,257.4	68,586.4	72,198.0	237,041.8
TOTAL CAPITAL RESOURCES REQUIRED (GF & HRA)	369,966.2	271,513.8	261,469.5	902,949.5

OVER PROGRAMMING

0.0	0.0	0.0	0.0
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BORROWING REQUIRED TO FUND THIS PROGRAMME	125,552.1	107,659.5	107,896.4	341,108.0
Budget				
GENERAL FUND DEBT COSTS (after income)	73,480	76,496	81,703	
Average Interest rate	0.5%	1.0%	2.0%	