
Report of the Director of Resources

Report to: Executive Board

Date: 13th February 2009

Subject: Capital Programme 2008-2012

Electoral Wards Affected:

☐

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity ☐

Community Cohesion ☐

Narrowing the Gap ☐

Eligible for Call In

☐

Not Eligible for Call In
(recommendation 7.1(a) to (f))

X

Executive Summary

1. The report sets out the updated capital programme for 2008-2012 which has been very much influenced by the current economic downturn.
2. A large proportion of capital programme schemes are funded from external resources which are still available and therefore projects are continuing as planned. Due to the economic downturn, resources generated by the Council in the form of capital receipts from land and property sales have severely declined and it has been necessary to re-prioritise schemes and create a reserved programme of schemes which can only progress when resources have been identified.
3. In order to keep the reserved programme to a minimum, additional unsupported borrowing of £45m has been provided for. The cost of this borrowing in 2009/10 is reflected in the Treasury and Revenue budget reports elsewhere on this agenda but the resulting costs in 2010/11 will need to be prioritised within the revenue budget for that year.
4. Overall, the council is seeking to deliver a total of £925.7m general fund capital investment within the city together with investment of £321.3m in the HRA over the next 5 years. Careful monitoring and control throughout the year will be required to manage the programme within resources available given the effects of the economic downturn currently being experienced.

1.0 Purpose Of This Report

- 1.1 This report sets out the updated capital programme for 2008/2012 and includes details of forecast resources for that period. The report also sets out work ongoing in preparing a capital investment plan which supports the Council's strategic priorities.
- 1.2 This report includes the latest updated capital programme. In accordance with the Council's Budget and Policy Framework¹, decisions as to the Council's capital programme are reserved to Council. In addition, statutory guidance requires that policies on Minimum Revenue Provision (see 5.3) are approved by Council. As such, the recommendations at 7.1 (a) to(f) are not subject to call in.

2.0 Background Information

- 2.1 In preparing the capital programme, a review of the phasing of expenditure on existing capital schemes has been undertaken together with an up to date projection of capital resources. Where appropriate, costs estimates have been revised.

3.0 Main Issues

3.1 Capital Programme 2008/09 to 2011/12

- 3.1.1 The update of the capital programme has been very much influenced by the current economic downturn. Substantial external resources for the capital programme in the form of grants and supported borrowing continue to be available and projects funded from these resources can proceed as planned. Due to the economic downturn, resources generated by the Council in the form of capital receipts from land and property sales have severely declined. Following on from the report to Executive Board in October 2008², forecast capital receipts have continued to fall and slip back into later years. The effect of this is that schemes which rely on the Council's own resources cannot proceed as planned and therefore it is necessary to reprioritise schemes.
- 3.1.2 The approach taken in compiling this updated capital programme is as follows:
- a) All committed schemes (where contracts have been awarded) have been funded using any external and specific sources of funding and any call upon the Council's own resources (capital receipts or unsupported borrowing).
 - b) The remaining Council resources have been assessed over the period of the programme to arrive at a total level of funding against which uncommitted priorities can be assessed.
 - c) Resources will be allocated to uncommitted schemes in the following order of priority
 - Health & Safety schemes
 - Schemes supporting the revenue budget

- Annual programmes (grants and upgrading)
- Asset management schemes
- Developmental schemes – both part Leeds funded and fully Leeds funded

3.1.3 Until resources become available some schemes will be held in a reserve programme. These schemes are shown in Appendix H and whilst they continue to be included within the relevant service area of the attached capital programme book, they will not be allowed to proceed until additional resources are identified. The resources position will be closely monitored and should resources allow, schemes will be transferred from the reserved programme to the funded programme. This will be exercised by the Director of Resources under his Executive Delegation scheme subject to consultation with the joint Leaders of the Council. Similarly should the resources position deteriorate further, schemes may need to be transferred from the funded to the reserved programme.

3.1.4 A summary of forecast programme payments and resources is shown at Appendices A and B. A full list of new general fund schemes over £100k, which have been included since the February 2008 programme, is provided in Appendix D. This appendix shows the full value of the relevant schemes included in the capital programme showing expenditure up to 2012. Similarly, any general fund schemes deleted from the programme since February 2008 are shown at Appendix E. The paragraphs below show the major projects included within the programme by service area and unless stated, the figures quoted are the gross costs over the life of the programme. The capital programme, when approved, will be available on the council's internet site.

3.2 **City Development - Highways Maintenance Programme** – Provision continues to be included for the significant investment needed to address backlog maintenance and an extra £2m has been provided to accelerate the programme of works. This will help to address backlog maintenance quicker and also provide an additional level of work to the construction industry. A total of £13m is provided for in 2009/10 with a further £28.6m investment planned from 2010/11 through to 2012.

Traffic Management Programme - £1.4m in total has been provided from 2009/10 through to 2012, to address pressures in relation to traffic management minor schemes. These are projects to reduce congestion, provide safer conditions for all road users, especially pedestrians, and to improve access for people and goods. This would be accomplished by various minor improvement works to increase the efficiency of the road network; providing additional crossing facilities; improvements to direction signing and minor road safety schemes

City Varieties refurbishment – Provision of £11.4m continues to be made for the proposed refurbishment of the City Varieties theatre including the purchase of the Swan public house as part of the overall redevelopment. The funding of the scheme assumes £2.7m of Heritage Lottery funding and £1.2m provided by the Grand Theatre and Opera House Limited.

Grand Theatre / Opera North - Provision of £10.5m is included for the Phase 2 works creating new music rooms and refurbishment of the Assembly Rooms to create a learning venue and a base for Opera North's orchestra. The eventual

completion of these works, projected for 2009/10 will result in a projected overall investment of £33.2m for Phases 1 and 2 in total.

Northern Ballet / Phoenix Dance development – The programme continues to provide £11.7m for this major new dance facility. £4m of the overall funding package is being provided by the Lottery and the private sector.

Local Enterprise Growth Initiative (LEGI) – A further £600k funding is included for a series of business centres to facilitate new job opportunities in the city's most deprived communities. This increases the overall projected investment to £6.6m, of which £3m is scheduled for 2009/10 and 2010/11.

City Centre upgrade programme – With a view to accelerating the programme of City Centre upgrade, a further £1.2m has been included giving a total provision of £6.5m including £0.3m external contributions to date. It is anticipated that this additional provision will lever in additional Yorkshire Forward resources and when this funding is agreed it will be injected into the programme. Schemes currently being progressed are Albion Place Ph 2 and Lands Lane Central Square.

Leeds Arena – As approved at Executive Board in November 2008, the programme now makes provision for the delivery of the Leeds Arena. A total of £84m is included which includes acquisition of the site (secured in December 2008). This is the largest single project ever to be included within the capital programme. The funding package includes a grant of £18m from Yorkshire Forward the agreement for which is being finalised. The remaining funding is largely provided through unsupported borrowing the costs of which will be met from the lease to the Arena operator and from additional car park income from Arena events.

- 3.3 **Environment and Neighbourhoods** – Key projects within the programme include: Disabled Facilities grants (DFG) - the Council continues to face a growth in demand from clients who are eligible for Disabled Facilities grants. Whilst the Council has received additional government grant during 2008/09 increasing the total government grant to £2.5m, the Council had to supplement this with £3.5m of resources to provide for a £6m programme in 2008/09. In recognition of the continued pressures on this budget, the £5m capital programme provision in 2009/10 has been increased to £7m and assumes £2.57m will be met from government resources.

RHB Regeneration 2008-11 programme – Investment in private sector renewal schemes continues to address poor housing conditions. The programme is progressing well with acquisition and demolition in Beeston/Beverleys, Holbeck, and Harehills Comptons/Ashleys. Group Repair schemes in Beeston are continuing ahead of schedule.

Town & District Centre (TDC) programme – Further district centre regeneration and improvement schemes will progress during 2009/10. These include Armley Town Centre improvements (£1.4m), Chapeltown improvements (£1.3m); these two schemes are supported by £1.9m of Townscape Heritage Initiative (Lottery) funding. Other major schemes include upgrading works at Yeadon Town Street (£1.065m) and Headingley centre improvements (£674k).

EASEL Regeneration Package – A separate report on this agenda gives details of the latest position on the EASEL regeneration partnership. As outlined in that report, the capital programme makes provision for two schemes of property acquisition. The general fund scheme is for the acquisition of 10 properties, funded

by £1.175m from the disposal of previously earmarked EASEL sites. The HRA scheme for the acquisition of a further 10 properties is funded by £500k of HRA reserves and £693k of HRA surplus.

Affordable Housing Strategic Partnership – A separate report on this agenda details the latest proposals in relation to the delivery of affordable housing within the city. To reflect these proposals the capital programme makes provision of £3.78m funded through Housing Corporation land sales of £2.48m and one open market land sale £1.3m. This scheme provides a two year demolition and decanting of sites across the 77 acres ringfenced to this scheme.

Area Management – Provision has been maintained for Area Management schemes. As explained earlier in the report, due to resource issues a number of schemes have been included on the reserved programme list. There is an opportunity for Area Committees to review reserved schemes in their area and consider progressing them using the Area Management capital provision.

Lower Wortley Improvement scheme – A package of minor regeneration works (£325k) has been included for Lower Wortley which focuses on improving local facilities at a number of locations.

3.4 **Adult Services** – Key projects within the programme include:

Social Care establishments, fire risk reduction works - the Council is required to comply with the latest fire safety regulations (The Regulatory Reform Fire Safety Order 2006). Works will be required to 19 Homes for Older People and £3.1m is provided between 2008/09 and 2010/11 to deliver a programme of works which will be subject to individual risk assessment at each home.

As reported to Executive Board in January 2009, part of transforming day opportunities for people with learning disabilities includes developing an appropriate building base which supports the personalisation agenda. Provision of £2.1m has been made in the programme for 4 community bases providing a total of 100 places per day. Detailed scheme proposals will be drawn up in relation to these centres.

3.5 **Children's Services** – The programme reflects the latest formulaic allocations and the continued provision for the different phases of building schools for the future (BSF). The wave 1 works include major rebuilding works at Cockburn (£16.4m) and Temple Moor (£15.5m). In addition £23.9m is included from 2009/10 through to 2012 to deliver the IT infrastructure for the Wave 1 schools. The current investment across all three phases of the first wave of BSF is £140m.

The formulaic allocations for 2009/10 are modernisation funding (£6.3m), basic need (£4.1m), schools access initiative (£1.4m), extended schools provision (£1.2m) and devolved formula capital (£10.1m). In addition, the Department of Children, Schools and Families have asked local authorities to consider whether they can accommodate bringing forward grant funding from 2010/11 to 2009/10 with a view to both accelerating planned programmes of work for the benefit of children and young people but also as a means of supporting the local economy during the current economic downturn. Under this initiative, grant of £5.7m has been brought forward to 2009/10.

Youth Hub – The programme makes provision for a £5m Youth Hub in South Leeds on the Merlyn Rees site, primarily funded by the Big Lottery Fund.

- 3.6 **Strategic** – Provision continues to be made for the Ward Based Initiatives(WBI) scheme under which £30k per ward has been made available for ward based projects. It is proposed to amend the scope of the WBI scheme to enable grants to be made to voluntary organisations for works to premises which will generate running cost savings, for example, energy efficiency schemes. To support this extended scope of the WBI scheme an extra £10k per ward has been provided for over the next two years. If this proposed amendment to the scope of the scheme is agreed, revised guidance on the scheme will be issued to all Members.

Strategic Development Fund – In the February 2008 capital programme, provision of £100m was made for the Strategic Development Fund (SDF). This fund was provided for projects that lead to service delivery improvements, spend to save and efficiency and for investment in strategic infrastructure projects. The Executive Board in October 2008 allocated this fund to 3 areas of investment; Major Infrastructure; delivery of Service Outcomes and Business Transformation and Efficiency. Also, to address the reduction of capital receipts for the capital programme, some of the SDF was allocated to existing projects. Further approvals from the SDF have been approved for the Leeds Arena and the first Business Transformation projects. In order to resource the existing programme it has been necessary to include £18.5m of this fund in the reserved programme.

Capitalisation of Equal Pay – A directive has been received from government allowing the cost of equal pay claims in 2009/10 to be capitalised. Provision of £10m is included.

4.0 **Implications For Council Policy And Governance**

4.1 **The Strategic Plan**

- 4.1.1 The council's strategic plan and business plan set out the council's priority strategic outcomes and business improvement priorities for the next 5 years. Service directorates have reviewed schemes within the existing capital programme in relation to the new strategic outcomes, and have started to develop plans for the capital investment which will be required if these outcomes are to be achieved. It is proposed that further work takes place over the coming months to carry out the detailed option appraisals and costing to further develop these capital needs so that a capital investment plan can be finalised during the autumn of 2009.

- 4.1.2 Alongside this work, a strategic look at the future needs of the city is also taking place to develop an understanding of future infrastructure needs. This will be further developed as part of the capital investment plan to ensure that there is a focus for the development of funding plans and for leverage of private sector and government funding. Clearly, the economic downturn has a significant effect on our ability to resource investment in our strategic priorities but if our plans are in place we will be best placed to take advantage of any external resources that become available and also be prepared for the economic recovery.

4.2 **Risk Assessment**

- 4.2.1 In developing the capital programme, risk assessments are carried out both in relation to individual projects and in formulating the overall programme. The main risk in developing and managing the overall programme is that insufficient resources are available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:

- monthly updates of capital receipt forecasts prepared by the Director of Development;
- the use of a risk based approach to forecasting of capital receipts;
- monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
- 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;
- promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic;
- compliance with both financial procedure rules and contract procedure rules to ensure the Council's position is protected;
- consideration of additions to schemes will only be made in the context of available resources;
- 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;

4.2.2 The governance arrangements for project development and management are subject to regular review. This process seeks to enhance the effective control and delivery of capital projects in support of the council's priorities. Existing processes are also subject to review as part of the broader programme of work being undertaken for the Delivering Successful Change project which is seeking to embed best practice across the council with regard to the management of projects.

4.3 **Governance**

4.3.1 In accordance with the Budget and Policy Framework, the Executive Board are required to make proposals to Council regarding the degree to which in year changes to the capital budget may be undertaken by the Executive. Where these apply to capital programme schemes these are set out in Financial Procedure Rules³. These have been reviewed during the year and one amendment made which increases from £250k to £500k the delegation to Directors to give Authority to Tender on capital schemes. This process is one whereby a number of financial, technical and contractual checks are made prior to tenders being invited. The current capital approval delegations are set out in Appendix I.

4.3.2 The capital budget also includes a list of land and property sites for disposal. It is proposed that the Executive Board be authorised to approve in year amendments to this list subject to such amendments subsequently being reported to the Council. Any such changes will be reported in the periodic capital programme update reports to Executive Board, for recommendation to Council.

5.0 Legal and Resource Implications

5.1 Capital Expenditure and Resources 2009/10

- 5.1.1 The latest forecast expenditure for 2009/10 is £331.6m with resources of £307.7m. Both the general fund and HRA programmes reflect a level of overprogramming (for General Fund £11.1m & £12.8m HRA shown as a supplementary programme).

5.2 Capital Resources 2009/10

- 5.2.1 In December 2008, announcements were made by government departments of support for local authority capital expenditure. For 2009/10, this support is provided in the form of revenue support to fund borrowing costs or capital grants to fund capital expenditure. Details of these settlements are included at Appendix C and summarised below:

5.2.2	<u>2009/10 support for borrowing</u>	<u>£000s</u>
	Housing – HRA	7,600
	Housing – General Fund	-
	Highways & Transportation	8,109
	Education	11,788
	Children's Services	111
	 Total Supported Borrowing	 27,608

- 5.2.3 **Government Grants** – In addition to the resources above, the government also provides grants for particular schemes and programmes. For 2009/10 grants of £147.7m are included which includes grants such as schools devolved formula capital, section 31 transport grant and HRA major repairs allowance (£36.9m).

- 5.2.4 **Other Grants and Contributions** – Some schemes in the capital programme are funded from contributions from external bodies, including the Big Lottery Fund and private developers, and these can be used in full to fund the relevant capital scheme. For 2009/10 contributions of £19.5m are forecast. Schemes proposed by private sector developers which are supported by agreements under Section 278 of the Highways Act are currently funded through the council's own capital receipts. Contributions from these agreements totalling £5.2m are to be used to support the council's revenue budget in 2009/10.

- 5.2.5 **Capital Receipts** – The generation of capital receipts to support the capital programme has in recent years become a significant element of the total resources available. However, due to the position of the current property market, sites earmarked for disposal during the period of the programme cannot be sold. Similarly there has been a significant reduction in the number of Council House sales. Both of these factors mean there are fewer capital resources available for investment in the general fund and HRA capital programmes. For 2009/10, the following forecasts of usable capital receipts have been made:

	£m
Land, property and other disposals	8.9
Sale of Council Houses	1.1
Total Forecast Receipts	10.0

- 5.2.6 The above forecast is based on the latest capital receipts regulations under which the majority of the receipts from land sales are 100% usable. For council house sales, 75% of receipts generated are pooled nationally and used by government to fund new initiatives, in particular the housing decency policy. The remaining 25% can be used by the council to finance new capital expenditure.
- 5.2.7 In forecasting the level of capital receipts to be generated from land and property disposals, account is taken of the risks associated with each individual site and these risks are reflected in the forecasts shown above.
- 5.2.8 For the period 2008/09 to 2012, capital receipts from land and property disposals are forecast to be £91.0m. This compares to a 5 year forecast in February 2008 of £280.7m and reflects the significant effect of the economic downturn as well as one off major receipts generated in 2007/08. A list of sites for disposal is attached at Appendix F.
- 5.2.9 **Unsupported Borrowing** – The use of unsupported borrowing has been available to local authorities since 2004/05. The unsupported borrowing included within the capital resources for 2009/10 totals £92.2m. The majority of this is corporately funded unsupported borrowing which has been budgeted for to support capital investment or to provide a cash flow buffer until capital receipts are generated. The revenue costs of this borrowing have been provided for within the revenue budget. It should be noted that for new unsupported borrowing in 2009/10 the budgeting arrangements require that only a half year's interest cost is provide for in the revenue account. In 2010/11 revenue provision will need to be made for a full years' interest plus a minimum revenue provision (see 5.3 below).

5.3 Minimum Revenue Provision Policy

- 5.3.1 In February 2008, full Council approved the Council's MRP (minimum revenue provision) policy as required by then draft government legislation. Final legislation was issued in March 2008 confirming the overall requirements of the previous draft, but with some minor changes to the accompanying guidance. The legislation requires councils to produce an annual MRP policy for approval by full council in advance of each financial year. Appendix G explains the options to be considered in determining the policy in more detail.
- 5.3.2 The agreed MRP policy for 2008/09 said that MRP on prudential borrowing for 2007/08 capital expenditure would be calculated on the basis of equal instalments over the expected useful life of the asset. However, the final version of the statutory guidance that was subsequently issued gives an additional alternative of calculating this element of MRP using an annuity method over the expected useful life of the asset. This method more accurately reflects the fact that an asset deteriorates slowly at first and more rapidly in later years. It is requested that Council agrees to amend the 2008/09 MRP policy in respect of capital expenditure funded by prudential borrowing, to use the annuity method rather than equal instalments over the expected useful life of assets. This change would have no impact on the MRP chargeable in 2008/09 (as all capital expenditure financed by prudential borrowing in 2007/08 qualified for a one year delay in charging MRP) but would reduce the MRP chargeable in 2009/10 by £120k.

5.3.3 It is proposed that Leeds adopts the following MRP policies for 2009/10 :

- MRP for prudential borrowing for 2008/09's capital expenditure will be calculated on an annuity basis over the expected useful life of the asset.
- MRP for borrowing to fund capitalised expenditure incurred during 2008/09 will be calculated on an annuity basis using the lifetimes recommended in the government's statutory guidance.
- For all other supported borrowing to fund the 2008/09 capital programme, MRP will continue to be calculated on the current basis.

The above policies will ensure that the council satisfies the requirement to set aside a prudent level MRP.

5.4 Prudential Indicators

- 5.4.1 Under the current self regulatory financial framework, CIPFA's prudential code for capital finance⁴, each authority is required to set a number of prudential indicators and limits for its capital plans which will include affordability, the impact of capital investment plans on council tax and housing rents, capital expenditure levels, external debt and treasury management indicators. A number of these indicators relate specifically to treasury management operations and for 2009/10 these are included in the treasury management strategy report elsewhere on the agenda. In relation to capital expenditure, and in accordance with the prudential code, this report indicates future levels of capital expenditure, forecast resources and the resulting borrowing requirement (before providing for the statutory charge to revenue for past capital expenditure, known as minimum revenue provision). Details are set out in Appendices A and B.
- 5.4.2 Any unsupported borrowing carried out must be affordable within the revenue budget (i.e. the cost of debt repayments). For 2009/10, all schemes funded through unsupported borrowing have been provided for in the revenue budget, approval for which is contained within the revenue budget report.

5.5 Capital Expenditure 2009/10

General Fund Services

- 5.5.1 After reprioritising the programme as outlined in paragraphs 3.1.2 and 3.1.3, the resources position shows that there are insufficient resources available to fund the general fund expenditure plans in 2009/10. Expenditure is programmed at £267.5m whilst resources are forecast of £256.4m. In order for the overprogramming of £11.1m to be managed effectively, the following control measures are applied:
- All Leeds funded schemes are subject to individual review at the point at which the client service seeks spending approval
 - No new injections to the programme can be made without first identifying additional resources or substituting for an existing scheme
 - No capital receipts assumed to fund the programme can be diverted to other projects or initiatives without identifying alternative resources that will be available within the same year.

- 5.5.2 For the majority of the council's activities, it is able to reclaim all VAT incurred on its inputs (purchases of supplies and services). However, some activities are classed by HM Revenue and Customs as exempt and for local authorities these activities include crematoria, insurance, training services (including sports coaching and lessons), lettings / hiring out of space e.g. public halls, sports halls and pitches and industrial units.
- 5.5.3 For these activities there is usually a restriction as to the amount of VAT the council can reclaim. For 2008/09 HMRC relaxed the need for local authorities to prepare the partial exemption calculation but this will not be the case for 2009/10. It is anticipated however that eligibility to full VAT recovery can be retained during 2009/10 and the position will continue to be monitored throughout the year.

Housing Revenue Account

- 5.5.4 The ALMO programmes have continued to work towards bringing council houses up to decent homes standard by 2011. Government resources for decency come to an end in 2008/09 with the overall ALMO programmes in 2009/10 falling from £104.6m to £51.2m.
- 5.5.5 Members will recall that Executive Board on 8th October 2008² agreed a range of proposals to bring the general fund capital programme to a more manageable position. One of the resource adjustments agreed was the use of £11.5m of HRA capital receipts, which in the past had been used by the ALMOs to support the HRA/ALMO Capital Programme to support the General Fund. This decision was made within the context of the position on the General Fund Programme and in view of an updated position on achievement of the Decent Homes Standard which showed that there were surplus resources of £30m across the three ALMOs. Redirecting £11.5m of HRA receipts to support the General Fund reduced this surplus to £18m
- 5.5.6 The table below shows the impact on each ALMO and the HRA of this decision.

AVHL & BITMO	ENEHL	WHWHL	HRA	Total
£000	£000	£000	£000	£000
3,706	2,634	4,336	824	11,500

Table 1: - Reduction in available capital receipts by ALMO

- 5.5.7 It was recognised that there are capital investment needs in addition to Decency particularly in respect of mandatory and essential works i.e. adaptations and DDA work and that such works need to be prioritised with regard to available funding.
- 5.5.8 Since Executive Board in October, the Government have confirmed that Leeds City Council will continue to receive ALMO SCA Allowances at 8% until the end of the 2010/11 financial year and that this will be paid through the 2010/11 Housing Subsidy Determination. In effect this means that the difference between the borrowing costs (currently estimated at 4.5%) and 8% is available for use by the ALMOs, a total of £14.3m shown in Table 2.
- 5.5.9 The HRA currently has specified reserves of £5.85m to support the achievement of Decency. Of this, £2m was taken account of in the £30m surplus after achievement of Decency reported to Executive Board in October. The ALMO Chief Executives have

been asked by the Director of Environment & Neighbourhoods to submit individual Business Cases to support an allocation from this reserve. This work is in progress.

- 5.5.10 Table 2 below summarises the net resource position of the ALMOs as a result of the changes referred to above.

Resource	AVHL & BITMO £000	ENEHL £000	WHWHL £000	Total £000
Reduction in receipts	(3,706)	(2,634)	(4,336)	(10,676)
Additional SCA Windfall	4,114	4,492	5,749	14,355
HRA Decency Reserve*				3,854
Total net increase	408	1,858	1,413	7,533

* Currently there is balance of £5.854m on the HRA Reserve. Of this £2m is already earmarked as a resource to achieve decency whilst the balance, £3.854m, has not yet been allocated to the ALMOs, as shown in 3.5.2.

- 5.5.11 The additional SCA allowances and the HRA decency reserve provide total additional resources of £18.2m available to the ALMOs which more than compensates for the £10.7m reduction in capital receipts agreed by Executive Board in October 2008. ALMOs have net additional resources of £7.5m which potentially increases funds available to finance decency works, mandatory and essential non-decency works and other investment priorities. AVHL and WNWHL have not included this extra resource in their current Business Plans whilst ENEHL have already identified this additional resource in their most recent Business Plan.

6.0 Conclusions

- 6.1 Over the five year period of 2008/09 to 2012/13, the council is seeking to deliver a total of £925.7m general fund capital investment within the city net of the reserved programme. Current expenditure plans exceed the resources available to deliver these plans. Over the 5 year period, overprogramming in the capital programme at £25.1m is lower than in previous years and reflects the £45m additional unsupported borrowing being used to fund the programme but also a reduced level of acceptable tolerance given the reduced level of Council resources now available over the period. This level of overprogramming is considered manageable with careful monitoring and control. However, the council will continue to seek to maximise the external funding sources and to deliver capital receipts to ensure the programme can be delivered.
- 6.2 A number of measures are taken to ensure that the programme remains affordable as outlined in 5.5.1. The Director of Resources will continue to work with service directors to ensure that capital schemes are properly developed and that a business

case process is operated to demonstrate investment is aligned to corporate objectives, meets the needs of the public and will deliver best value.

- 6.3 In managing the overall funding for the programme particular emphasis is placed on ensuring that contractual commitments are only made when there is reasonable certainty that the appropriate resources are available. The Director of Resources will co-ordinate scheme reviews and the approval of schemes to ensure that they are brought forward in a timely way and are affordable. Update reports on the overall capital programme position will be reported to Executive Board 3 times each year.

7.0 Recommendations

7.1 Executive Board is asked to recommend to the Council:

- a) that the attached capital programme be approved and that the list of schemes shown at Appendix H be reserved until additional resources become available;
- b) that the Executive Board be authorised to approve in year amendments to the capital programme including transfers from and to the reserved programme in accordance with Financial Procedure Rules;
- c) that the updated capital approval delegations in Financial Procedure Rules shown in Appendix I be approved;
- d) that the list of land and property sites shown in Appendix F will be disposed of to generate capital receipts to support this capital programme and that Executive Board will be authorised to make any in year amendments to the list which will be subsequently reported to Council;
- e) that the MRP policy for 2008/09 is amended as set out in 5.3.2; and,
- f) that the proposed MRP policies for 2009/10 as set out in 5.3.3 and explained in Appendix G be approved.

7.2 Executive Board are asked to agree:

- a) that the Director of Resources will manage, monitor and control scheme progress and commitments to ensure that the programme is affordable;

Appendices:

- A** General Fund programme statement, 2008/09 to 2012/13
- B** Housing Revenue Account programme statement, 2008/09 to 2012/13
- C** Allocations of Government Support 2009/10
- D** General Fund schemes over £100k injected since the February 2008 capital programme
- E** General Fund scheme reductions over £50k since the February 2008 capital programme
- F** List of sites to be disposed of over the programming period
- G** Minimum Revenue Provision Policy
- H** List of reserved schemes
- I** Financial Procedure Rules – Updated Capital Approvals delegations

¹ Leeds City Council Constitution – Part 2, Article 4

² Executive Board Report 8th October 2008 – Capital Programme Update 2008-2012

³ Leeds City Council Constitution – Part 4, Rules of Procedure

⁴ CIPFA – The Prudential Code for Capital Finance in Local Authorities