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## Report of the Director of Resources

### Executive Board

Date: 12<sup>th</sup> February 2010

Subject: Capital Programme Update 2009-2014

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality & Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

((recommendation 7.1(a) to (e))

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### Executive Summary

1. The report sets out the updated capital programme for 2009-2014 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 £15m over the next four years has been provided for. The cost of this borrowing is reflected in the Treasury and Revenue budget reports elsewhere on this agenda.
4. Overall, the council is seeking to deliver a total of £870.1m general fund capital investment within the city together with investment of £235.4m 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 2009/2014 and includes details of forecast resources for that period.
- 1.2 In accordance with the Council's Budget and Policy Framework<sup>i</sup>, 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(e) 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 2010/11 to 2013/14**

- 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. As reported previously, due to the economic downturn, resources generated by the Council in the form of capital receipts from land and property sales have severely declined. 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 2009 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 2013. Similarly, any general fund schemes deleted from the programme since February 2009 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.

3.1.5 **City Development** - Highways Maintenance Programme – Provision continues to be included for the significant investment needed to fully address the issue of backlog maintenance. £28.6m of capital investment is planned from 2010/11 through to 2012. In addition a further £3m provision has been made between 2010/11 and 2012/13 for eligible expenditure initially posted to the revenue account to be charged to capital. This will both assist the management of the Highways revenue budget and demonstrates the Council's continued commitment to addressing the highways maintenance backlog.

Traffic Management Programme - £1.4m in total has been provided from 2010/11 through to 2013, 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 £12m 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.

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.

City Centre upgrade programme – there is currently a total provision of £6.7m for this programme. Albion Place Ph2 and Lands Lane Central Square have already proceeded and the £1.2m Leeds Legibility scheme scheduled for 2010/11 will provide high quality and uniform signage and street furniture in the city centre. Yorkshire Forward have provided £600k resources to the Leeds Legibility scheme and a further £900k to the wider programme. The proposed £1m Commercial Street scheme has, due to restrictions on available resources, been transferred into the reserved programme until funding is identified enabling the scheme to progress.

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 grant funding 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.

Vision for Leisure Centres ('Free Swimming' Development) – £400k provision has been made in 2010/11. This funding will enable the Council to access up to £2m of 'Free Swimming' grant and proceed with this initial phase of the Vision. The purpose of the wider programme is to transform the customer experience and quality of facilities offered in the Council's leisure centres. The balance of this programme amounting to £13.6m is provided for within the Reserved programme and will progress when further resources have been identified.

City Card - £1.34m has been provided in 2010/11 and 2011/12 to deliver phase 1 of City Card for the sports, leisure and culture sector. The City Card system provides a single 'smartcard' approach for people to access Council services. The end purpose of the project is to address falling income levels by providing easier access to, and improved information on Council services by deploying smartcard technology as used by commercial sector competitors.

Parks and Countryside equipment - Provision of £300k per annum from 2010/11 to 2012/13 has been made for the replacement of equipment

3.3 **Environment and Neighbourhoods** – Key projects within the programme include: Disabled Facilities grants (DFG) - the Council faces a continuing demand from clients who are eligible for Disabled Facilities grants. The Council has provided and will fully utilise £7m of funding for DFGs in 2009/10 of which £2.5m is funded by government grant. In recognition of the continued pressures on this budget, £7m funding per annum has been provided for 2010/11 through to 2013/14 based on the assumption that government will continue to provide grant support at the current level.

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, Harehills Comptons/Ashleys and Group Repair schemes in Beeston. It should be noted that the RHB have advised a reduced funding allocation of £5.2m for 2010/11. The consequence of this funding reduction is that the Beeston Garnetts acquisition and demolition scheme and the Cross Green group repair schemes cannot proceed until additional resources are identified.

Town & District Centre (TDC) programme – This programme is progressing towards completion but there are two major district centre regeneration and improvement schemes that will progress during 2010/11. These are Armley Town Centre improvements (£2.3m) and Chapeltown improvements (£1.3m); these two schemes are supported by £1.9m of Townscape Heritage Initiative (Lottery) funding. The programme has also provided £1.5m funding towards the Morley Bottoms improvements scheme where Yorkshire Housing will provide a number of social housing units.

EASEL Regeneration – Whilst progress with the commercial housing developments has been slow the Council via East North East Homes (ENEH) has continued the process of house purchases, demolition and site assembly ensuring that when housing market conditions eventually improve Bellway Homes, the Council's development partner can deliver new properties without delay. ENEH receive reimbursement for eligible costs and these are provided for within General Fund programme funding position.

Area Management – £780k provision has been made in 2010/11 for Area Committee Wellbeing schemes. Due to the overall resource position £100k has been transferred to the reserved programme until additional resources have been identified.

Leedswatch CCTV – Provision of £800k has been made for a joint scheme with Metro to convert from analogue to digital technology.

- 3.4 **Adult Social Care** – 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). Provision of £1.9m is included for works from 2010 onwards and each residential home will be subject to individual risk assessment to determine the actual works required.

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.

Telecare Programme – To support more people to remain independently in their own homes, in line with national policy, there is a need to expand the range and level of Telecare equipment. Provision of £3.1m is included over 4 years and this investment will reduce domiciliary care costs and generate projected annual savings of £0.5m in the revenue budget.

Replacement for the Electronic Social Care Records (ESCR) system – The recent inspection within Children’s Services has highlighted the need for improved records management. To address this, £5m is included for the re-provision the ESCR system and a full specification is currently being developed.

**3.5 Children’s Services** – The Capital Programme reflects the latest funding awards, formulaic allocations and major building programmes and projects, including Building Schools for the Future (BSF), Primary Capital Programme (PCP), Basic Need, Secondary Capital, Bankside Primary rebuild, and works associated with Sharp Lane Section 106 funding.

The formulaic allocations for 2010/11 are modernisation funding of £7.7m and devolved formula capital funding of £10.1m. As some of this grant was advanced in 2007/08 and 2009/10, the actual grant included within 2010/11 are £0.4m for modernisation and £6.1m for devolved formula capital. Other formulaic allocations include basic need funding of £4.1m, schools access initiative funding of £1.4m and extended schools provision of £0.6m. Leeds was also successful in gaining £1.7m of Basic Need Safety Valve funding to contribute to the expansion of Leeds’ schools.

Investment of £124m in BSF Wave 1 has provided for the rebuilding or major refurbishment of 14 secondary schools. 2010/11 includes provision for refurbishment works at Crawshaw and Priesthorpe (Ph2-currently on site), to commence refurbishment works at Farnley Park (Ph2), Corpus Christi and Mount St Mary’s (Ph3) and to commence construction of the new West Leeds Academy (Ph4). Proposals for the final school, Parklands (currently identified in Ph3), are continuing. Separate funding is also provided for the delivery of the IT infrastructure across all Wave 1 schools.

The Primary Capital Programme is a long term Government initiative to transform primary schools across the country. Phase 1 of the programme includes the rebuild or refurbishment and remodelling of six primary schools in the city. The Capital Programme includes funding for this programme of £32.6m, including £5.1m for expansions of schools as part of the Basic Need Programme (see below).

The Capital Programme includes funding for the first phase of works to be delivered as part of the Basic Need programme. In response to unprecedented increases in birth rates throughout the city, which is expected to continue until 2018, there is a requirement to expand a large number of schools. The Capital Programme includes £9.1m of funding for identified schemes requiring expansion for September 2010. In addition, funding has also been allocated to school expansions delivered through PCP. According to projections, a significant number of other schools will require expansion for which funding will need to be identified.

£3.1m is included within the Capital Programme for delivery of the Secondary Capital programme, which includes extensions to Bruntcliffe High, Morley High and Guiseley High to help resolve suitability and condition issues within the schools.

The Capital Programme continues to provide funding for the rebuild of Bankside Primary School (£4.6m) and extension and remodeling works to schools in the Sharp Lane area funded by Section 106 agreement (£2.7m).

- 3.6 **Strategic** – Provision continues to be made for the Ward Based Initiatives(WBI) scheme under which £40k per ward has been made available for ward based projects. The amended scheme enables grants to be made to voluntary organisations for works to premises which will generate running cost savings, for example, energy efficiency schemes. A number of voluntary organisations have benefited from this over the past year.

Strategic Development Fund – Members will recall that £35.4m of the Strategic Development Fund was allocated in July 2009 to major projects. The actual funding requirements are still not finalised and are subject to securing external approvals. Due to the overall resources position on the programme £5m of this provision has been transferred to the reserved programme. When there is more certainty regarding the overall funding required, this will need to be reviewed.

The programme makes provision of £33.3m over the coming four years for the purchase of new and replacement vehicles and equipment (including provision for ICT equipment). This provision has been reduced by £2.5m per annum commencing 2010/11. An estimate has been made as to where these reductions will fall but a more detailed review of requirements is necessary to finalise the position. Any changes required following this review will be reported in the first quarter 2010/11 capital programme update report.

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 £1.6m is included. Further costs are likely to be incurred in 2010/11 and the programme currently provides for £3.9m. A request to capitalise costs will be made during 2010/11.

## **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.

- 4.1.2 Alongside this work, an understanding of the future infrastructure needs of the city is being developed 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 Rules<sup>ii</sup>.

- 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 2010/11

- 5.1.1 The latest forecast expenditure for 2010/11 is £375.1m with resources of £356.7m. Both the general fund and HRA programmes reflect a level of overprogramming (for General Fund £16.2m and £2.2m HRA, shown as a supplementary programme).

### 5.2 Capital Resources 2010/11

- 5.2.1 In December 2009, announcements were made by government departments of support for local authority capital expenditure. For 2010/11, 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>2010/11 support for borrowing</u>	<u>£000s</u>
	Housing – HRA	7,600
	Highways & Transportation	8,779
	Education	6,080
	Children’s Services	110
	 Total Supported Borrowing	 22,569

- 5.2.3 **Government Grants** – In addition to the resources above, the government also provides grants for particular schemes and programmes. For 2010/11 grants of £180.1m 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 2010/11 contributions of £31.6m 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 £4.7m are to be used to support the council’s revenue budget in 2010/11.

- 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 2010/11, the following forecasts of usable capital receipts have been made:

	£m
Land, property and other disposals	11.8
Sale of Council Houses	0.8
<b>Total Forecast Receipts</b>	<b>12.6</b>

- 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 2009/10 to 2013, capital receipts from general fund land and property disposals are forecast to be £67.2m. In addition a supplementary target has been set of £2.2m for four years commencing in 2010/11, a total of £8.8m giving a total of £75.9m supporting the capital programme. This compares to a 5 year forecast in February 2009 of £90.1m and reflects the significant effect of the economic downturn. A list of sites for disposal from 2009/10 to 2012/13 is attached at Appendix F. Details of sites for disposal in 2013 onwards are still subject to further consideration. The £34m projected receipts for 2013 onwards, included in Appendix A, is currently a target figure and when finalised a list of proposed sites for disposal will be brought forward for consideration by Executive Board.
- 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 2010/11 totals £81.8m. 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 2010/11 the budgeting arrangements require that only a half year's interest cost is provide for in the revenue account. In 2011/12 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 The Capital Finance and Accounting Regulations require 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 It is proposed that Leeds adopts the following MRP policies for 2010/11 :

- MRP for prudential borrowing for 2009/10'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 2009/10 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 2009/10 capital programme, MRP will be calculated on an annuity basis over the expected useful life of the asset.

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

5.3.3 Using an annuity basis over the life of the asset is a method which more accurately reflects the fact that an asset deteriorates slowly at first and more rapidly in later years. The council's agreed MRP policy for 2009/10 did not incorporate this method for supported borrowing other than that used to fund capitalised expenditure, as there were some practical difficulties in implementing it fully. However, the systems issues which would have made it impractical to introduce the annuity methodology for the whole of the capital programme have been addressed more quickly than was anticipated. It is therefore proposed that the council's MRP policy for 2009/10 should be amended to be the same as the policy set out above for 2010/11

## **5.4 Prudential Indicators**

5.4.1 Under the current self regulatory financial framework, CIPFA's prudential code for capital finance<sup>iii</sup>, 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 2010/11 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 2010/11, 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 2010/11**

### **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 2010/11. Expenditure is programmed at £310.2m whilst resources are forecast of £294m. In order for the overprogramming of £16.2m 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 however it is anticipated that eligibility to full VAT recovery can be retained during 2010/11 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 came to an end in 2008/09. In 2009/10 the HRA resources reduced to £59.7m, are projected to be £62.7m in 2010/11 whilst in the following years they drop to £40m in both 2011/12 and 2012/13.
- 5.5.5 An updated position on the achievement of the Decent Homes Standard by March 2011 shows that resources needed to meet decency equate to £48m across the three ALMOs and BITMO.
- 5.5.6 The current decency projection demonstrates that the council is on course to meet the governments Decent Homes Standard by March 2011. In order to identify future investment requirements and to ensure the Decent Homes Standard is maintained the council has commissioned an options appraisal which will identify how best these capital requirements can be addressed.
- 5.5.7 The proposed February 2010, capital programme is projecting HRA expenditure of £235.4m between 2009/10 and 2013/14. Over this period there is overprogramming of £16.4m which will be managed back within available resources of £219m.

5.5.8 Since specific government funding for the achievement of decency is no longer available the ALMO programmes are increasingly reliant on the major repairs allowance which accounts for 80% of the funding available (£161.6m). Other funding which will be utilised is £16.9m of unsupported borrowing largely to support heatlease, £15.2m of single pot funding, £11m contributions from revenue, £3.5m from right to buy sales and £6.2m of other contributions. It is hoped that these funding streams will maintain decency and deliver the essential priority programmes through to 2013/14.

## **6.0 Conclusions**

6.1 Over the five year period of 2009/10 to 2013/14, the council is seeking to deliver a total of £870.1m 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 £40.2m is higher than at this stage last year and reflects the £15m additional unsupported borrowing being used to fund the programme. This level of overprogramming is considered manageable with careful monitoring and by implementing the control measures referred to in paragraph 5.5.1. 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 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 proposed MRP policies for 2010/11 as set out in 5.3 and explained in Appendix G be approved;
- d) that the MRP policies for 2009/10 should be amended as set out in 5.3.3

7.2 Executive Board are asked to agree:

- a) 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.
- b) 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, 2009/10 to 2013/14
- B** Housing Revenue Account programme statement, 2009/10 to 2013/14
- C** Allocations of Government Support 2010/11
- D** General Fund schemes over £100k injected since the February 2009 capital programme
- E** General Fund scheme reductions over £50k since the February 2009 capital programme
- F** List of sites to be disposed of over the programming period
- G** Minimum Revenue Provision Policy
- H** List of reserved schemes

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<sup>i</sup> Leeds City Council Constitution – Part 2, Article 4

<sup>ii</sup> Leeds City Council Constitution – Part 4, Rules of Procedure

<sup>iii</sup> CIPFA – The Prudential Code for Capital Finance in Local Authorities