

Report of the Director of Resources

Report to Executive Board

Date: 15th February 2013

Subject: Capital Programme Update 2013-2016

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? Except 6.1 a to c	<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 updated capital programme for 2013-2016 and includes an updated forecast of resources available over that period. The Council's own resources continue to be constrained by the budget reductions implemented nationally. 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.
2. The revenue budget for 2013/14 includes an increase in debt costs from 2012/13 of £0.65m which reflects adjustments between HRA and General Fund as well as interest rates changes for existing debt and new borrowing to fund the capital programme.
3. A new approach to presenting the capital programme funding position has been introduced which recognises that the key control regarding capital investment proposals is on meeting the cost of borrowing. The capital resources position statement shows the increases in debt costs that will be required in future years if the capital programme is delivered as set out in the attached book.
4. Some schemes have been given an Amber status and require an updated business case or funding confirmation to enable them to proceed.
5. In the 3 year period from 2013/14, the council is seeking to deliver general fund capital investment of £494.3m together with £183.4m in the HRA. The phasing of capital expenditure will continue to be monitored to ensure it is realistic and essential to ensure that the impact on debt costs in future years is minimised.

Recommendations

6. Executive Board is asked to recommend to the Council:
 - a) that the attached capital programme be approved;
 - 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; and
 - c) that the proposed MRP policies for 2013/14 as set out in 3.6 and explained in Appendix E be approved.

7. Executive Board are asked to agree:
 - a) That the list of land and property sites shown in Appendix D will be disposed of to generate capital receipts for use in accordance with the MRP policy; and
 - b) That the Director of Resources will manage, monitor and control scheme progress and commitments to ensure that the programme is affordable.

1. Purpose of this report

- 1.1 This report sets out the updated capital programme for 2013/2016 and includes details of forecast resources for that period.
- 1.2 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's capital programme are reserved to Council. In addition, statutory guidance requires that policies on Minimum Revenue Provision (see 3.6) are approved by Council. As such, the recommendations at 6.1 (a to c) are not subject to call in.

2. Background information

- 2.1 In preparing the capital programme update, 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, scheme estimates have been revised.
- 2.2 This update of the capital programme has been prepared in the context of the overall resources available to the Council. The Government's Autumn Statement set out the funding that local authorities can expect over the coming years and this capital programme is therefore constrained by these funding reductions. Within this framework, it is imperative that only priority capital schemes are progressed.

3. Capital Programme Update

3.1 Capital Programme Update 2012/13

- 3.1.1 The latest forecast expenditure for 2012/13 is £255.9m and it is forecast that resources will be available to fund this level of expenditure both within HRA and the General Fund programmes.

3.2 Capital Programme Resources 2013/14 onwards

- 3.2.1 A review of all capital schemes within the programme has taken place to ensure they are still priorities and are still essential. Some minor adjustments have taken place but in the main the capital programme presented is an updated version of the one approved in February 2012. This being the case a new approach to presenting the resources and overprogramming position is proposed which will introduce a new discipline in controlling new capital investment proposals.
- 3.2.2 **New approach to presenting capital resources** - The funding for the programme comes from external resources in the form of grants and contributions and Council resources in the form of borrowing. As explained in 3.6 below, the Council's capital receipts are used firstly to fund the cost of PFI liabilities in the revenue budget, any remaining receipts are then used to fund the capital programme. The capital programme has always included a level of overprogramming. In effect this is the difference between the total capital expenditure forecast on schemes and the resources available, either from external sources or in the form of borrowing that can be taken up within the debt budget.
- 3.2.3 The cost of debt is clearly dependant on the extent and timing of capital spend but also on interest rates and the level of internal balances (reserves, creditors and

debtors etc.) which impact on the extent to which the Council has to borrow. Currently, some overprogramming is held on the capital resources statement (in the form of anticipated slippage) whilst some is assumed in the Treasury Management statement (in the form of reserves and balances). As far as the Council is concerned, the cost of the capital programme ends up in the revenue budget as debt costs and therefore it is the management of debt costs that is the key financial control.

- 3.2.4 In preparing the February 2013 capital programme and debt costs overprogramming has been eliminated from the capital resources statement by introducing additional borrowing. This has increased the forecast debt costs in future years which will become a pressure on future years' revenue budgets. A level of capital programming slippage is built into the debt forecast along with interest rate variations and revenue balances assumptions thereby placing the key financial control on the debt costs.
- 3.2.5 Given the financial and economic context within which this capital programme is being prepared, there is an aspiration not to increase the cost of debt further and to do this will limit the scale of the Council funded capital programme. Introducing this new discipline in controlling debt costs will allow clear decisions to be taken regarding capital investment priorities and sources of funding, thereby working towards a more transparent process.
- 3.2.6 Resources of £677.7m are required to fund the City Council's capital programme from 2013/14 to 2015/16. These are summarised in **Appendix A**, divided into specific resources and corporate resources.
- 3.2.7 **Specific Resources** – Specific capital resources total £415.0m over this period and represent funding which has been secured for specific schemes in the form of government grants such as schools devolved formula capital and section 31 transport grant, single capital pot funding such as Basic Need which is passported to the relevant directorate, or contributions from external bodies including the Heritage Lottery Fund and private developers. Also included are the specific HRA resources supporting HRA expenditure under the self- financing regime. As in previous years, 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 corporate resources. Contributions from these agreements totalling £9.4m over the period are used to support the council's revenue budget.
- 3.2.8 **Corporate Resources** – Corporate Resources over the period total £262.7m. These represent resources which the Council has more freedom to allocate to its own policy priorities. The main sources are capital receipts and borrowing. From 2010/11, a change in the way capital receipts are used mean that fewer receipts will be available to fund capital expenditure. In financing the overall capital programme, the Director of Resources will use the optimum mix of funding sources to achieve the best financial position for the Council.
- 3.2.9 In terms of forecast capital receipts for the period, a list of land and property sites for disposal during the period is included in **Appendix D**. Proceeds from these sites are assumed to fund either:

- the liabilities in the revenue budget arising from PFI schemes and finance leases or
- existing capital programme expenditure.

3.2.10 Executive Board in October 2011 approved the introduction of a capital receipts incentive scheme with effect from April 2012. For eligible sites, 20% of the receipt, when achieved (up to a maximum of £100k) will be distributed to Wards. Of this 20%, three-quarters is available to the relevant ward, and one-quarter distributed across Wards. To date, net capital receipts totalling £2.33m have been received which fall under the Incentive scheme, with the relevant Ward retaining £338k through the Ward Based Initiative Scheme. A further £112k will be distributed across Wards at a future date.

3.2.11 Government support for capital investment announced in December 2012 is currently forecast at £42.1m for 2013/14 (includes estimates relating to Education and Integrated Transport which have yet to be confirmed). Government departments have clear expectations about how most of this should be used, the Council's current policy is to passport government support to the relevant directorate. Details of the government support for 2013/14 is shown at **Appendix B**.

3.2.12 Total capital resources assumed are detailed in **Appendix A** and are summarised below:

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Specific resources	123.221	163.222	142.155	109.640	538.238
Corporate resources	132.716	117.132	71.644	73.888	395.380
Total Resources	255.937	280.354	213.799	183.528	933.618

3.3 Proposed Capital Programme 2013/14 onwards

3.3.1 As set out above, the capital resources available for the capital programme are constrained by the level of external grants and contributions available and by the debt budget provided for in the revenue budget.

3.3.2 Continuing with current arrangements, schemes within the programme are classified as 'Green' (can be progressed), 'Amber' (requiring an up to date business case) and 'Red' (reserved - not funded). Additions or deletions (exceeding £100k) made to the programme since February 2012 are shown in **Appendix C**.

3.3.3 A summary of the forecast capital programme by capital objective is set out below and the updated capital programme is attached.

	2012/13	2013/14	2014/15	2015/16	Total
	£m	£m	£m	£m	£m
Improving our assets	121.254	158.923	119.768	139.286	539.231
Investing in major infrastructure	7.822	15.959	10.409	13.755	47.945
Supporting service provision	59.702	63.114	62.022	31.266	216.104
Investing in new technology	19.970	17.572	2.119	1.202	40.863
Supporting the Leeds economy	39.089	16.544	11.565	8.187	75.385
Central and Operational Expenditure	8.100	20.098	14.494	14.349	57.041
Less reserved expenditure	(0.000)	(11.857)	(6.578)	(24.516)	(42.951)
Total	255.937	280.353	213.799	183.529	933.618

3.3.4 As can be seen from the table above, investment of £255.9m is taking place during 2012/13 with further investment of £677.7m planned from 2013/14 to 2015/16. This investment will deliver a number of priorities, some of which are referred to in the paragraphs below:

3.3.5 **Improving our Assets** – this programme provides for a £10m annual programme each year from 2013/14 to address backlog maintenance on district roads. An additional £5.2m in 2013/14 is provided under the Local Transport Plan for road maintenance. Parkin Lane Bridge structural works are progressing well with completion due by the end of Feb 13. This will provide a continuation of essential services to the community affected.

The Council has commenced a major rationalisation of its City Centre office accommodation which will result in all the City Centre office staff being located in one of 4 buildings, each one being occupied more intensely through incorporating new ways of working. The capital programme makes provision for the capital investment needed for this programme of work including the temporary relocation of staff from Merrion House and the upgrading of Merrion House as a key council office location within the city. As part of this initiative, the Council will ultimately be vacating both leased in and freehold office property.

In respect of other Council buildings, a £1.5m annual programme is provided for each year from 2013/14 to address priority condition issues. To address the budget pressures of holding void properties, a new £1m annual programme for demolition of property has been included in each of the next 3 years.

As part of the development of the Redhall master plan, provision of £1.3m has been made to relocate council services from the Redhall Site to Farnley Hall and for the preparation of the outline planning application as the first phase of the Redhall master plan. The Coach House refurbishment was given approval in May 2012. These costs will ultimately be met from the sale of land at the Redhall site.

Investment of £65.5m is provided in 2013/14 for improving Council houses, the funding for which is now provided through the Housing Revenue Account self-financing arrangements introduced in April 2012. The HRA business plan estimates

that for 2014/15 and 2015/16 a total of £117.8m will be available for capital investment. The allocation of this across ALMOs and the BITMO will be determined by the HRA business plan. It is therefore proposed to hold this investment funding within the Strategic Landlord until the detailed programmes are reported back to Executive Board in the autumn of 2013.

The government have yet to confirm formulaic allocations for schools' Capital Maintenance which in 2012/13 was £8.5m. Whilst previous investment through Building Schools for the Future has supported refurbishment of some of the secondary school estate, and likewise Primary Capital Programme investment in some primary schools, there remain some buildings in need of significant improvement. The Specialist Inclusive Learning Centres require improvement and the council will continue to focus on meeting the highest priority condition works across the Children's Services estate. Children's Services is implementing a locality based approach focused around clusters of schools to ensure targeted and rapid support in an area, requiring alternative and improved premises across the City. For 2013/14 to 2015/16 government grant has been assumed of £8.5m in each year and these provisions will be amended to reflect actual allocations when they are known.

In recognition of the increasing problem of addressing derelict and nuisance sites across the city £500k was provided for in the 2012/13 programme, phased over a 3 year period. Under this 10 properties have been improved by owners to date as a result of negotiation or enforcement by the Council, without recourse to this budget. It is anticipated that expenditure will increase over the next two years as properties with more complex issues become subject to enforcement and recoverable costs of works in lieu are incurred by the Council.

Funding of £600k is also included to ensure the Council can fulfil its capital maintenance liabilities in relation to Otley Civic Centre, potentially as part of a wider Heritage Lottery bid. A new business case setting out the detailed proposals is expected during 2013.

3.3.6 Investing in Major Infrastructure –Within this capital programme, £10m is provided to progress phase 1 of the Leeds Flood Alleviation scheme comprising 3 elements; moveable weirs, removal of the cut and raised defences. Good progress is being made with the moveable weirs element with a possible start date on site later this year. Very recent announcements from Government have made £60m available for schemes which will encourage and support regeneration as well as protect from flooding. Feedback is awaited on our bid for £24m, which is expected in early 2013. The programme makes further provision of £19.85m (to 2015/16) to meet the Council's contribution towards the New Generation Transport (NGT) scheme. NGT was granted Programme Entry status in July 2012 allowing the preparation of the Transport and Works Act Order application to progress and a further report on this is scheduled for Executive Board in March 2013. Both these projects are dependent on government support and funding as well as contributions from external partners and agencies.

To support development within the East Leeds Extension, £150k has been allocated for a feasibility study relating to the introduction of a new East Leeds Orbital Road. The study will set out options for the route of the road and technical issues relating to these, as a precursor to more detailed work with public and

private sector interests, to secure delivery of the road and to enable the construction of up to 6000 new homes in the area.

The programme also makes provision of £245k for design costs in support of work on Bridgewater Place.

In respect of carbon reduction initiatives, the free home insulation scheme resulted in approximately 10,000 cavity wall insulation and loft insulation jobs taking place in 8,000 private homes, all at zero cost to the householder. A final report detailing the exact number of measures, the value of the works, the impact on householders' fuel bills and the carbon saved from the scheme will be presented to a future Executive Board. In October 2012, DECC awarded Leeds City Region £2.6m to run a Green Deal Demonstrator project, of which £1.28m was awarded to Leeds City Council. This programme, to be committed by the end of March 2013, has two main components. The first will see around 100 ALMO properties receive free external wall insulation and other related energy efficiency improvements. The second is a loan and grant scheme for energy efficiency improvements to around 200 private properties across the city.

The programme continues to provide for the Essential Maintenance scheme for the A58M Leeds Inner Ring Road. Funding is being provided through a combination of government grant, Local Transport Plan, council resources and contributions from external third parties. The final funding package was agreed with third parties in March 2012 and the first phase of works is being concluded at New York Road Bridge and Lovell Park Bridge with a contract start for the main works at Woodhouse Tunnel planned for summer 2013.

- 3.3.7 Supporting Service Provision** – Demographic growth in Leeds continues to increase demand for places in primary schools and specialist provision, and the impact begins to affect the secondary sector in 2015. Funding has been sufficient to meet the required number of places to 2013, but the level of additional capacity required in special schools and secondary schools, in addition to primary places, during the three year period, means this is unlikely to continue to be the case without additional central government allocations. It should be noted also that some solutions to demographic pressures for 2013 and beyond will be temporary pending permanent solutions being identified in future.

As confirmation of Government support for Basic Need and Devolved Formula capital is still awaited, estimated funding of £14.2m per annum has been included within the programme and will be amended when confirmed figures are available.

Disabled facilities adaptations grants of £6.5m per year are provided for in the programme (partly funded by government). This supports in the region of 1000 grants per year. A further £400k is provided for adaptations to private homes. To support more people to remain independently in their own homes, provision of £1.9m is made to continue to progress the Telecare equipment programme which is anticipated to reach over six thousand homes in total.

The conversion of the former older persons' residential home Harry Booth House into a new intermediate care provision will provide the base for delivering a jointly provided service with Health that will improve both the speed and effectiveness of service delivery to the residents of Leeds. It makes effective use of an existing

asset and provides financial savings to both Health and the Council. This project is a partnership arrangement with Leeds Community Health Trust.

Rothwell Fulfilling Lives Centre scheme was approved in December 2012 at a cost of £2m. It will see the demolition and the rebuilding to modern standards of a facility that will provide a specialist day service base for adults with a learning disability, who have additional health needs, in the south of the city. The building will also provide a community resource for other groups, both disabled and non-disabled.

3.3.8 Investing in New Technology – Work continues on the replacement Children’s and Adult Social Care systems and these are scheduled to become operational in autumn 2013. The integrated adult social care and health agenda continues to gather momentum and some key initiatives have been delivered. The ‘Leeds Care Record’ will enable the various practitioners from different organisations to have a common view of the individual case and this is getting closer to fruition.

The council’s new website and intranet have been successfully delivered but we will need to further develop it to ensure it continues to meet customer and business needs. Electronic Document Records Management System (EDRMS), provide electronic storage, sharing and retrieval of documents, will have been implemented into the business support centre by March 2013 and will then be deployed to support the Children’s and Adults Social Care requirements.

The Customer Access Programme is underway and will see delivery of a modernised electronic services platform enabling end to end transactional services and corresponding business efficiencies.

The council’s business critical ICT systems and applications are underpinned by an extensive ICT infrastructure which must be continually refreshed to meet the increasing demands of a modern organisation that is highly dependent on its ICT services. The migration from the previous Novell technologies to equivalent but new and supported Microsoft technologies is now in the final phases. The new corporate desktop based on Windows 7 and Office 2010 has been deployed to most of our city centre offices and the next phases will see the smaller outlying sites being converted.

This ICT infrastructure physically comprises our data centres, telephony, servers, networks, switches, devices, operating systems, databases, security systems etc. Further investment is required to configure our data centres to minimise the risk of business disruption; continue to replace elements of our outdated telephony equipment with modern digital solutions and virtualise the servers that host many of our largest and most important business applications e.g. financial, housing, benefits, social care systems. By virtualising we can manage demand better and support the infrastructure more efficiently. Provision of £3m has been made in the 2013/14 capital programme for this essential work.

New models of service delivery are in progress, for example the PSN (Public Services Network) which will see our Wide Area Network presently connecting over 600 sites across Leeds transitioned to a more cost effective ‘cloud’ based managed service which will be less expensive to operate in the medium to long term and will allow our systems and data to more easily interoperate with other public services.

3.3.9 Supporting the Leeds Economy – Work continues to progress well on the 12500 seat Arena which will be on time and on budget and is expected to be handed over to the operator for the commencement of the internal fit out in March 2013.

Provision of £400k has been included for some essential works to Kirkgate Market and in 2013/14 detailed design work will take place for the redevelopment including detailed proposals for the management model.

A further £1.64m has been provided for in the Economic Initiatives, Innovation and Carbon Reduction scheme (a total of £16.64m) over the coming three years. From this fund, £6.44m has been set aside for the Council's contribution to the City Region Revolving Infrastructure Fund to be delivered as part of the City Deal with Government. The new Revolving Investment Fund (RIF) will support commercially viable projects that, due to the current conditions in the financial markets, cannot secure sufficient and appropriate finance to proceed. The City Region's aspiration is to create a fund which will build as investment in projects, supporting economic growth, achieve financial returns, and are reinvested into the fund. A report on this is scheduled to Executive Board later in the year. A further £5m has been set aside to provide for a Sustainable Communities Investment programme within the Cross Green and Neville's neighbourhoods which is the subject of a separate report on this agenda. This investment will promote exemplar eco retro-fitting and support the sustainability of two residential areas immediately adjacent to the Aire Valley employment area, which forms part of the Aire Valley Urban Eco-Settlement. This investment is further augmented by highways maintenance and Housing Revenue Account (HRA) contributions as well as external contributions through such as Green Deal, Energy Company Obligations and private home-owners.

As part of the Council's commitment to the Trinity Development, provision of £100k has been made for the upgrading of Lower Basinghall Street adjacent to the Trinity development. This will complete the public realm works in that area.

Design work is being undertaken to create a green space at Sovereign Street at a cost of £2.45m with work to commence in 2014/15 as part of the redevelopment of this major city centre site including new offices.

Contracts have been exchanged from the acquisition of Millgarth Police Station to facilitate the Eastgate and Harewood development with a capital injection of £2.3m to accommodate this new retail development.

The council in partnership with the Local Enterprise Partnership is working to ensure the successful delivery of the Enterprise Zone in the Aire Valley Leeds. A £2.5m scheme, funded through the business rates raised by the zone, has ensured that the first phase of the access road will start on site in February 2013. The road opens up this strategic site for development and provides a public transport link which will allow people from East Leeds better access to jobs in the zone. This development comes at a key time for the Enterprise Zone which continues to attract interest from companies looking to expand or locate into the region.

Leeds has been successful in bidding for two major funding schemes to deliver superfast broadband across the country by 2015. There are two projects within the programme, one is to deliver 90% coverage of superfast broadband to the entire UK., termed the BDUK project. This is a West Yorkshire wide project totalling £16m

and will require a £1m contribution from Leeds. Leeds will benefit by ensuring 93% coverage across the district.

The second project is to deliver Ultrafast broadband to key business districts in the country. Leeds and Bradford have been successful in a joint bid which covers a contiguous area across both districts, including the city centre and for Leeds also includes the Aire Valley. This is a £50m project and requires a £2m capital contribution from Leeds.

The programme sees continuing investment in Armley and Chapeltown under the Townscape Heritage Initiative (Heritage Lottery Fund) to underpin private investment in sensitive building repair and restoration. The council is awaiting confirmation of £1.5m funding from the Heritage Lottery Fund, which will be injected into the Programme in due course. This funding will support bringing vacant properties into use and increasing the viability of existing businesses within the historic Lower Kirkgate area. A Council contribution of £668k is included in the programme for this project.

An improvement scheme for Tropical World is included, partly funded by an external contribution, which will see improvement to displays and other on- site facilities as well as expansion of the shop and café.

The Leeds Bid to host the Tour de France was successful and the city will see Le Grand depart in Leeds in July 2014. In preparation for the Tour £500k has been included in the programme for additional highways works.

3.4 Housing Revenue Account – Self Financing Regime

- 3.4.1 The current HRA system of financing council housing ended in March 2012 and a new system of self- financing was introduced from April 2012. In accordance with the Environment and Neighbourhoods section of the Revenue Report 2013/14 report elsewhere on this agenda, HRA capital expenditure has been set assuming a 5.9% rent increase for 2013/14.

3.5 Economic Impact Analysis

- 3.5.1 Members will recall that the capital programme update report in July 2012 included details of the Economic Impact Assessment of the Council's capital programme investment on the Leeds economy. This assessment made use of a Regional Econometric Model (REM) which can estimate the wider economic impact of the capital programme through multiplier effects. By inputting further information on the construction type or sector and the density of jobs contracted to Leeds residents, the model can produce more robust figures than previously reported. The key points below estimate the economic impact for Leeds and the Leeds City Region from 2011-2016:

- 6,133 job roles will be supported over six years specifically in Leeds through Leeds City Council capital expenditure.

- The REM estimates that these jobs will generate over £265m for the Leeds economy – equivalent to around 1.7% of Leeds' total Gross Value Added (GVA).
- Similar analysis for Leeds City Region suggests that the capital expenditure will support an additional 589 jobs through multiplier effects in the Leeds City Region.
- In total, it is therefore estimated that Leeds City Council capital expenditure between 2011 and 2016 will support almost 6,722 jobs and generate £292m GVA in the Leeds City Region – equivalent to 0.6% of the City Region's total GVA.

3.6 Capital Strategy

3.6.1 The Capital Finance and Audit Regulations require councils to produce a statement of policy on making Minimum Revenue Provision (MRP). MRP is an annual revenue charge for the repayment of borrowing and other capital financing liabilities. Whilst statutory guidance gives local authorities some discretion about how to calculate 'prudent provision' for MRP, the guidance steers authorities firmly towards a limited choice of options in which the key principles are demonstrating prudence and repaying borrowing over the period in which the capital expenditure provides benefits.

3.6.2 The 2013/14 MRP policy relates to capital expenditure funded by borrowing in 2012/13. It is proposed that Leeds adopts the following MRP policies for 2013/14:

- MRP for prudential borrowing for 2012/13's capital expenditure will be calculated on an annuity basis over the expected useful life of the asset
- MRP for borrowing to fund capitalized expenditure incurred during 2012/13 will be calculated on an annuity basis using the lifetimes recommended in the government's statutory guidance
- For all other unsupported borrowing to fund the 2012/13 capital programme, MRP will be calculated on an annuity basis over the expected useful life of the asset
- For PFI and finance lease liabilities, a MRP charge will be made to match the value of any liabilities written down during the year which have not been otherwise funded by capital receipts.

3.6.3 In deciding on the application of capital funding it is proposed that:

- Capital receipts are allocated firstly to fund the liabilities to be written down for the year in relation to PFI schemes and finance leases. This will remove the need for MRP charges equal to the value of the capital receipts applied.

- Any remaining capital receipts and any other general capital income will then be allocated to those capital schemes which relate to the shortest lived assets.

The options to be considered in determining the policy are set out in more detail in the MRP policy at **Appendix E**.

3.7 Prudential Indicators

- 3.7.1 Under the current self-regulatory financial framework, CIPFA's prudential code for capital finance¹, 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 2013/14 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 **Appendix A**.
- 3.7.2 Any unsupported borrowing carried out must be affordable within the revenue budget (i.e. the cost of debt repayments). For 2013/14, all schemes funded through unsupported borrowing have been provided for in the revenue budget, approval for which is contained within the revenue budget report.

3.8 Housing Revenue Account Programme

- 3.8.1 The HRA capital programme provides for capital investment of £183.4m for the 3 years 2013/14 through to 2015/16. The HRA/ALMOs will deliver a balanced programme within the available resources. The latest forecast position for expenditure and resources is shown at **Appendix A**.
- 3.8.3 The 2013/14 HRA/ALMOs capital programme is the second year of the self-financing regime. Under HRA self-financing arrangements, from 2014/15 Leeds will develop a citywide investment plan based on citywide investment priorities and capital resources will be allocated to ALMOs based on these priorities. A detailed ALMO/BITMO investment plan for the 2014/15 and 2015/16 years will be included within the November 2013 capital programme update report. The ALMOs capital programme for 2013/14 is currently forecast at £55.1m with a further £10.4m within the Strategic Landlord as shown on Appendix A and within the attached book.
- 3.8.4 Executive Board in July 2012 approved a £9.5m contribution from the HRA to support the Little London Beeston Hill and Holbeck PFI project, phased over 3 years from 2013/14. This element will be top sliced from the available HRA self-financing resources with the balance of the funding being used to develop the ALMO/BITMO capital programmes.

4. Corporate Considerations

¹ CIPFA – The Prudential Code for Capital Finance in Local Authorities (amended 2011)

4.1 Consultation and Engagement

4.1.1 The Council's initial budget proposals, including capital programme, were set out in a report to Executive Board in December 2012. This initial budget proposals report was subsequently considered and reviewed by Scrutiny. One specific comment was made in relation to the capital programme as follows:

- That Scrutiny Board noted the ongoing 'spend to save' programme to improve the energy and efficiency of buildings

4.1.2 The report was also used for wider consultation with the public through the Leeds City Council web site, the results of this consultation is still awaited.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 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.

4.2.2 In terms of the content of this report, an Equality Screening document has been prepared and is attached at **Appendix F**.

4.3 Council policies and City Priorities

4.3.1 Capital objectives were set out and agreed in the initial budget proposals report considered by Executive Board in December 2011. The capital programme attached to this report, is structured to show schemes under these objectives.

4.4 Resources and value for money

4.4.1 The resource implications of this report are detailed in section 3 above. For the capital programme to be sustainable, the Director of Resources must be satisfied that spend in each year of the programme can be afforded. For 2013/14 the forecast of borrowing costs resulting from capital expenditure are budgeted for within the revenue budget. In the year following capital expenditure, as well as budgeting for interest costs, the revenue budget must make provision for the minimum revenue provision on borrowings. On average this amounts to a further 4%.

4.4.2 As explained in 3.2.3 above, the extent to which the Council has to borrow to fund capital depends on when capital expenditure is incurred and what other reserves and balances are available (in lieu on borrowing) to enable borrowing to be temporarily deferred. The cost of debt is then influenced by interest rates. It is currently forecast that if the capital programme is delivered as presented in this capital programme and interest rates assumed are accurate, compared to 2013/14, there will be an increase in debt costs in 2014/15 of £5.3m. Of this £2.3m relates to the effect of HRA changes which are explained in the Treasury Management report elsewhere on this agenda. These additional costs will need to be provided for within the revenue budget. Throughout 2013/14 this position will be monitored, along with

capital expenditure profiles with a view to reducing the impact on revenue in 2014/15 and beyond.

4.4.3 For HRA, the position outlined in section 3.8 shows that expenditure by the ALMOs can be managed within resources available.

4.4.4 In order to ensure that schemes meet Council priorities and are value for money, the Director of Resources will 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 unsupported borrowing by directorates is based on individual business cases and that revenue resources to meet the borrowing costs are identified.

4.5 Legal Implications, Access to Information and Call In

4.5.1 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's capital programme are reserved to Council. In addition, statutory guidance requires that policies on Minimum Revenue Provision (see 3.6) are approved by Council. As such, the recommendations at 6.1 (a to c) are not subject to call in.

4.5.2 In accordance with the Budget and Policy Framework Rules, the Executive Board is required to make proposals to Council regarding the degree of in year changes which may be undertaken by the Executive. These are set out in Financial Procedure Rules². There have been no changes to these rules during the year.

4.6 Risk Management

4.6.1 One of the main risks in developing and managing the capital 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, using a risk based approach, by the Director of City Development;
- 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;

² Leeds City Council Constitution – Part 4 Rules of Procedure

- provision of a contingency within the capital programme to deal with unforeseen circumstances;
- compliance with both financial procedure rules and contract procedure rules to ensure the Council's position is protected

4.6.2 In the February 2012 capital programme report Members agreed that no further injections can be made to the capital programme without a corresponding reduction or identification of additional resources. The new approach to presenting capital programme funding referred to in 3.2.2 above, strengthens this discipline. Identifying how debt costs are to be funded when a new scheme comes forward will reduce the risk of exceeding the debt budget.

5 Conclusions

- 5.1 Over the period to 2015/16 the Council is seeking to deliver a total of £933.6m capital investment within the city net of the reserved programme. For the general fund, subject to achieving a treasury savings target of £411k in 2013/14, the capital programme for that year is funded. After adjusting the base debt budget for the HRA debt changes arising from the self-financing regime (£2.3m), the impact of the capital programme on the forecast debt costs for 2014/15 is an increase of £3m. For 2015/16 the HRA changes increase debt costs by a further £749k with a further £1.5m impact from the capital programme. The Housing Revenue Account shows a balanced position. The ongoing review of the capital programme throughout the year, together with careful monitoring and implementation of the control measures referred to in paragraph 4.6.1 will seek to ensure that the programme is affordable. 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.
- 5.2 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 capital objectives, meets the needs of the public and will deliver best value.
- 5.3 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 can be afforded. Update reports on the overall capital programme will be reported to Executive Board 3 times each year.

6 Recommendations

- 6.1 Executive Board is asked to recommend to the Council:
- a) that the attached capital programme be approved;
 - 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; and
 - c) that the proposed MRP policies for 2013/14 as set out in 3.6 and explained in Appendix E be approved.

6.2 Executive Board are asked to agree:

- a) That the list of land and property sites shown in Appendix D will be disposed of to generate capital receipts for use in accordance with the MRP policy; and
- b) That the Director of Resources will manage, monitor and control scheme progress and commitments to ensure that the programme is affordable.

Appendices

A – Capital Programme Funding Statement

B – Government Funding Allocations

C – List of additions and deletions to the programme since February 2012

D – List of sites to be disposed of over the programming period

E – Minimum Revenue Provision Policy

F - Equality Screening Document

7 Background documents³

None

³ 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.

General Fund Capital Programme Funding Statement 2012/13 to 2015/16

Appendix A(i)

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
GENERAL FUND - COMMITTED					
EXPENDITURE					
IMPROVING OUR ASSETS	53,084.3	8,156.0	153.6	49.5	61,443.4
INVESTING IN MAJOR INFRASTRUCTURE	5,975.4	2,090.8	55.3	0.0	8,121.5
SUPPORTING SERVICE PROVISION	56,061.3	7,722.4	263.5	0.0	64,047.2
INVESTING IN NEW TECHNOLOGY	17,822.2	8,299.7	840.0	2.0	26,963.9
SUPPORTING THE LEEDS ECONOMY	38,464.7	7,817.9	1,200.0	0.0	47,482.6
CENTRAL & OPERATIONAL EXPENDITURE	7,863.4	5,054.9	4,400.0	4,400.0	21,718.3
TOTAL ESTIMATED SPEND ON COMMITTED SCHEMES	179,271.3	39,141.7	6,912.4	4,451.5	229,776.9
CERTAIN FUNDING					
GRANTS AND CONTRIBUTIONS	7,783.9	2,263.8	8.7	0.0	10,056.4
GOVERNMENT GRANTS	51,812.2	7,767.9	945.2	49.5	60,574.8
RCCO / RESERVES	1,171.1	34.3	0.0	0.0	1,205.4
BORROWING	28,873.5	3,731.6	1,000.0	2.0	33,607.1
	89,640.7	13,797.6	1,953.9	51.5	105,443.7
CAP. RESOURCES REQD FOR COMMITTED SCHEMES	89,630.6	25,344.1	4,958.5	4,400.0	124,333.2
GENERAL FUND - UNCOMMITTED					
EXPENDITURE					
IMPROVING OUR ASSETS	8,081.9	85,191.4	64,106.7	76,963.0	234,343.0
INVESTING IN MAJOR INFRASTRUCTURE	1,846.6	13,868.5	10,353.5	13,755.0	39,823.6
SUPPORTING SERVICE PROVISION	3,640.3	55,392.4	61,758.5	31,266.2	152,057.4
INVESTING IN NEW TECHNOLOGY	2,148.2	9,272.4	1,278.8	1,200.0	13,899.4
SUPPORTING THE LEEDS ECONOMY	624.7	8,726.1	10,364.5	8,186.8	27,902.1
CENTRAL & OPERATIONAL EXPENDITURE	236.1	15,043.2	10,094.4	9,948.6	35,322.3
RESERVE SCHEMES	0.0	(11,857.4)	(6,577.8)	(24,516.1)	(42,951.3)
TOTAL ESTIMATED SPEND ON UNCOMMITTED SCHEMES	16,577.8	175,636.6	151,378.6	116,803.5	460,396.5
CERTAIN FUNDING (All net of Reserve Schemes)					
GRANTS AND CONTRIBUTIONS	903.8	7,001.3	2,096.3	1,998.3	11,999.7
GOVERNMENT GRANTS	2,633.0	80,612.8	83,596.8	45,319.4	212,162.0
RCCO / RESERVES	32.3	8.6	0.0	0.0	40.9
BORROWING	2,857.4	26,073.3	8,598.3	7,259.5	44,788.5
TOTAL ESTIMATED SPEND ON UNCOMMITTED SCHEMES	6,426.5	113,696.0	94,291.4	54,577.2	268,991.1
CAP. RESOURCES REQD FOR UNCOMMITTED SCHEMES	10,151.3	61,940.6	57,087.2	62,226.3	191,405.4
GENERAL CAPITAL RESOURCES					
CAPITAL RECEIPTS	0.0	0.0	0.0	0.0	0.0
BORROWING	99,781.9	87,284.7	62,045.7	66,626.3	315,738.6
GENERAL CAPITAL RESOURCES	99,781.9	87,284.7	62,045.7	66,626.3	315,738.6
VARIANCE	0.0	(0.0)	0.0	(0.0)	(0.0)
BORROWING REQUIRED TO FUND THIS PROGRAMME					
BORROWING REQUIRED TO FUND THIS PROGRAMME	131,512.8	117,089.6	71,644.0	73,887.8	
GENERAL FUND DEBT COSTS (after income)	70,087.0	69,682.0	69,682.0	69,682.0	
Less budgeted savings target	(1,104.0)	(699.0)	(699.0)	(699.0)	
BASE DEBT BUDGET	68,983.0	68,983.0	68,983.0	68,983.0	
Adjustment to reflect HRA changes (see note 1)	(5,170.0)	(1,883.0)	405.0	1,154.0	
Increase to Base to reflect capital programme		2,533.0	2,533.0	2,533.0	
REVISED BASE DEBT BUDGET	63,813.0	69,633.0	71,921.0	72,670.0	
REVENUE COST OF BORROWING (after income)	60,372.0	70,044.0	74,925.0	77,188.0	
Treasury Savings Target		(411.0)			
REVISED COST OF BORROWING	60,372.0	69,633.0	74,925.0	77,188.0	
VARIANCE	(3,441.0)	0.0	3,004.0	4,518.0	
ASSUMPTIONS					
Average Interest rate	0.5%	1.6%	2.4%	2.5%	
Note 1: saving in 2012/13 is provisional at this stage subject to confirmation from External auditors of the correct accounting treatment					

Appendix A (ii)

HRA Capital Programme Funding Statement 2012/13 to 2015/16

HRA COMMITTED AND UNCOMMITTED	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Expenditure					
HRA	4,522.4	10,441.8	55,508.0	62,273.0	132,745.2
ALMOs					
Belle Isle	2,228.9	1,616.8	0.0	0.0	3,845.7
East North East	16,450.8	17,246.5	0.0	0.0	33,697.3
South South East	14,413.7	12,393.8	0.0	0.0	26,807.5
West North West	23,369.0	23,817.0	0.0	0.0	47,186.0
Capital Expenditure to be financed	60,984.8	65,515.9	55,508.0	62,273.0	244,281.7
Financed By:					
Certain Funding					
GRANTS AND CONTRIBUTIONS	1,329.3	1,546.6	0.0	0.0	2,875.9
GOVERNMENT GRANTS	0.0	0.0	0.0	0.0	0.0
RCCO / RESERVES	6,580.2	5,606.0	4,500.0	4,380.0	21,066.2
HRA SELF-FINANCING	53,075.3	58,363.3	51,008.0	57,893.0	220,339.6
Total Funding	60,984.8	65,515.9	55,508.0	62,273.0	244,281.7

Appendix B

Capital Programme 2013 - Allocations of Government Support

	Grant /SCE©		Total
	SCP	Ringfenced	
	£000	£000	£000
Childrens Services			
Education			
Basic Needs			
Local Authority for all schools (*)	14,200		14,200
Capital Maintenance			
Local Authority maintained schools (*)	8,400		8,400
LCVAP for VA schools			
Devolved Formula Capital for Maintained schools			
Local Authority maintained schools (*)		1,850	1,850
Voluntary Aided schools			
Early Education for 2 year old	1,582		1,582
Short Breaks for Disabled Children	390		390
Environment & Neighbourhoods			
Base Allocation (HRA)			
ALMO Decency (MRA only)			
Safer Stronger Community Fund			
Disabled Facilities Grant		2,570	2,570
Regional Housing Board - RHB			
Waste Infrastructure			
City Development			
Highways Maintenance	7,394		7,394
Integrated Transport - Non-Ringfenced (**)	3,968		3,968
PRN Bridges / structures - Non-Ringfenced			
Adult Services			
Mental Health			
Adult Social Care IT (Infrastructure)			
Adults' Personal Social Services (PSS)	1,780		1,780
Total Government Resources	37,714	4,420	42,134

(*) Provisional Figures, subject to confirmation

(**) Provisional figures subject to confirmation by the West Yorkshire Integrated Transport Authority

Schemes Over £100K Injected since the Capital Programme February 2012

Adult Social Care			
Scheme Title	£000's	Funding Source	Date Included
Learning Disabilities Programme	185.0	Department of Health grant	Dec-12
Harry Booth House	1812.0	Grant and borrowing - Exec Board	Jun-12
Telecare Service Vehicles	104.0	Borrowing	Oct-12
Adaptations to Private Homes	400.0	Annual programme added for 2015/16	Feb-13
Asc Community Capacity Grant	5209.9	Health Authority Funding	Jan-13
Strategic Accounts			
Contingency	503.3	Additional provision at February 2013	Feb-13
Local Authority Mortgage Scheme (LAMS)	2000.0	Approved Exec Board March 2012 - funded by borrowing	Mar-12
Marketing Leeds Smartphone Application	100.0	New scheme funded by borrowing	Feb-13
Ward Based Initiatives	404.8	Additional resources from Capital Receipts Incentive Scheme	Feb-13
Vehicle Programme	18829.1	Replacement Vehicle Programme funded through borrowing	Feb-13
General Capitalisation 2011/12	2152.5	Capitalisation at 2011/12 year end	Apr-12
General Capitalisation 2012/13	900.0	Capitalisation to reflect assumptions in revenue budget	Feb-13
General Capitalisation 2013/14	2900.0	Capitalisation to reflect assumptions in revenue budget	Feb-13
General Capitalisation 2014/15	2900.0	Capitalisation to reflect assumptions in revenue budget	Feb-13
General Capitalisation 2015/16	4400.0	Capitalisation to reflect assumptions in revenue budget	Feb-13
Changing the Workplace	71467.8	Approved Exec Board funded by borrowing	Jul-12
Economic Initiatives Innovation (EII)	1640.0	Additional provision February 2013 funded by borrowing	Feb-13
Equipment Programme 2013/14	2962.3	Replacement Equipment Programme funded through borrowing	Feb-13
NGT - Balance	3500.0	S106 contributions for NGT scheme	Feb-13
Other Education			
Major Refurbishment & General Building	4,500.0	Annual programme added for future years	Feb-13
Basic Need Grant 2012/13	10,173.0	Extra Basic Need grant Exec Board approved July 2012	Jul-12
Short Breaks for Disabled Children 12/13	389.7	Injection of Short Breaks for disabled Children Grant	2012/13
Basic Need Grant 2011-12	950.0	Revenue Funding for Basic Need Schemes	2012/13
Basic Need Grant - Future Years	28,400.0	Injection of Basic need Grant	2012/13
Schools DFC Grant - Future Years	5,550.0	Injection of Grant Devolved Formula Capital Funding	2012/13
Capital Maintenance Grant - Future Years	16,800.0	Injection of Capital Maintenance	2012/13
Basic Need 2012 - Bracken Edge Modular	631.0	Revenue Funding for Basic Need Schemes	Jan-13
Basic Need - Carr Manor	169.0	Revenue Funding for Basic Need Schemes	Jan-13
Basic Need Roundhay	200.0	Revenue Funding for Basic Need Schemes	Jan-13
City Development			
Asset Management			
Sovereign Street Greenspace	2,500.0	Approved Exec Board September 2012 - funded by capital receipt	Sep-12
Arena	151.7	Works commissioned and funded by Arena Operator	Feb-13
Re-Fit Phase 2	1,500.0	Approved Exec Board July 2012 funded by borrowing	Jul-12
Elmete Centres Demolitions	396.0	funded by borrowing	Jul-12
Demolition & Asbestos Removal	3,000.0	New annual programme February 2013 funded by borrowing	Feb-13
Herd Farm Biomass Boiler	129.0	New scheme funded by borrowing	Feb-13
Highways			
Bradford Rd & Otley Rd, Guiseley	163.6	S278 scheme funded by developer	2012/13
Lower Albion Street	296.5	S278 scheme funded by developer	2012/13
ASDA St Georges Rd	1,845.0	S278 scheme funded by developer	2012/13
Former BHS Site, Bridge Rd Kirkstall	426.9	S106 and S278 contributions	2012/13
Calverley Lane North, Horsforth	691.8	S278 scheme funded by developer	2012/13
Aberford Rd	869.2	S278 scheme funded by developer	2012/13
Queen St/ Leeds Rd	248.1	S278 scheme funded by developer	2012/13
Grimes Dyke	1,052.0	S278 scheme funded by developer	2012/13
Garforth Cliff	150.6	S278 scheme funded by developer	2012/13
Elland Rd Police HQ	447.9	S278 scheme funded by developer	2012/13
Calverley Lane North, Paths & Xings	171.6	S278 scheme funded by developer	2012/13
Elland Rd Police HQ	128.4	Injection	2012/13
Printworks	176.0	Injection	2012/13
Yeadon High St	175.0	Injection - Government Grant	2012/13
The Printworks Hunslet Rd	142.0	Injection	2012/13
East Street Pedestrian Improvements	390.0	Injection	2012/13
Leeds Core Cycle Network - Route 12	132.1	Local Sustainable Transport Grant	2012/13
Bridges & Structures Parent	140.0	March 2012 - new Government Grant	2012/13
Road Maintenance Refurbishment 2012/13	1,010.0	New Local Transport Plan grant	2012/13
East Leeds Extension & East Leeds Orbital Road (ELOR)	150.0	New scheme February 2013 funded ultimately by capital receipt	Feb-13
Bridgewater Place Wind Mitigation Measures	225.0	New scheme February 2013 funded by borrowing	Feb-13
Highways Maintenance 2014/15 (Parent)	10,000.0	Annual Programme 2014/15 funded by borrowing	Feb-13
Highways Maintenance 2015/16 (Parent)	10,000.0	Annual Programme 2015/16 funded by borrowing	Feb-13
Traffic Management Programme 2015/16	200.0	Annual Programme 2015/16 funded by borrowing	Feb-13
Highways Maintenance 2013/14 (Parent)	5,000.0	Increase in 2013/14 annual programme funded by borrowing	Feb-13
Tour De France Highways Improvements	500.0	New Scheme funded by borrowing	Feb-13
Planning & Sustainable Development			
Burley Park	125.5	S106 funding	Sep-12
Recreation Ground, Harehills Cemetery, Banstead Park, Ashton Road play area, Fearnville skate park and Gipton Square in Harehills and Gipton	132.8	Injection of S106 Funding	Jan-13
Construction of a full size artificial playing pitch adjacent to Bruntcliffe High School, Morley	100.0	Injection of S106 Funding	Jan-13

Economic Services			
Eastgate Land Proposals	3,200.0	Funded by borrowing in advance of capital receipts	Sep-12
Libraries Arts & Heritage			
Library Books Capitalisation 13/14	700.0	Funded by borrowing	Jan-13
Library Books Capitalisation 14/15	700.0	Funded by borrowing	Jan-13
Library Books Capitalisation 15/16	700.0	Funded by borrowing	Jan-13
Recreation			
Scatcherd Park Skateboard Park	146.3	S106 funding	Nov-12
Regeneration Management			
Stimulating Growth in Affordable Housing	2,300.0	£1.5m New Homes Bonus and £ 0.8m Right to Buy Receipts	Sep-12
Equity Loan Scheme	229.1	S106 contributions	Sep-12
Loan to "Canopy" to refurbish empty properties	200.0	S106 contributions	Sep-12
Environment & Neighbourhoods			
Regeneration			
Purchase of 1, Grange Avenue & 146, Chapeltown Road for Sale to Unity	100.0	Capital receipts and private sector income	2012/13
Environmental Health			
Green Deal Go early	1,278.4	Department of Energy and Climate Change (DECC) grant at Exec Board	Oct-12
Disabled Facilities Grant (Ctt)	156.5	private sector contributions	2012/13
Disabled Facilities Grant (Ctt)	196.0	additional grant	2012/13
Disabled Facilities Grant Parent (Uncidd)	6,500.0	Annual programme 2015/16 funded by borrowing and grant	Feb-13
Strategy & Commissioning			
Groundwork Leeds - Parent	140.0	Provision for 2014/15 and 2015/16	Feb-13
Garnets Demolition & Acquisition	105.0	Private Sector Funding from Leeds Federated Housing Association.	2012/13
HRA			
Sanctuary 2008-2011	200.0	Major Repairs Reserve Capital Transfers	Dec-12
HRA Miscellaneous Property Portfolio	300.0	Major Repairs Reserve Capital Transfers	Dec-12
HRA Housing Investment Programme	1,380.0	Section 106 Funding	Dec-12
Parks and Countryside			
Middleton Community Sports Hub	199.4	Football Foundation Private Sector contribution.	Jan-13
Queen's Park MUGA & 2 Play Areas	289.5	S106 contributions	Dec-12
Tropical World	120.0	Borrowing funded from new income	Nov-12
Children's Services			
Children Looked After			
Short Breaks For Disabled Children	389.7	New Government Grant	Sep-12
Youth Justice			
Eastmoor Secure Unit	12550.0	Government grant approved at Exec Board	Nov-12
Early Years Services			
Early Education for 2 year olds	1581.8	New DFE grant	Jan-13
Central & Corporate Functions			
Financial Development			
Capital Programme Management Costs - 3 years	1649.1	Annual programme for management costs	Feb-13
IT			
T&H Psn Wan Managed Service	500.0	Borrowing fronded by savings	Dec-12
Essential Services Programme Infrastructure	1200.0	Annual programme 2015/16	Feb-13

Scheme Reductions over £100K since the Capital Programme February 2012

Adult Social Care				
Date Actioned	Scheme Number	Scheme Title	£000's	Comments
03/05/2012	16266/000/000	Adaptations 2011/12	-151.4	Savings slipped to later year
Strategic Accounts				
13/12/2012	15988/000/000	PFI Development Costs	-725.1	Reduction in need for capitalisation
Other Education				
22/01/2013	15398/LWA/000	BSF Wave 1 ICT-Leeds West Academy	-435	Deletion of BSF ICT Grant Funding for VAT
22/01/2013	15398/PAR/000	BSF Wave 1 ICT-Leeds East Academy	-239.2	Deletion of BSF ICT Grant Funding for VAT
22/01/2013	16404/000/000	Basic Need Grant 2011/12	-950	Deletion of Revenue Funding Approved by Schools
City Development				
Asset Management				
08/10/2012	14121/000/000	Hangzhou Gate	-200.0	No S106 contributions available
14/01/2013	13307/000/000	Arena	-6263.7	Unsecured Yorkshire Forward grant removed from the scheme
Highways				
31/10/2012	14879/000/000	Easel Ph 1	-165	Reduction in scheme
Economic Services				
06/11/2012	16500/TRI/000	Lower Albion Street Trinity Qtr	-574.0	Works done by private developer - not required
Recreation				
18/10/2012	02794/000/000	Swimming & Diving facility	-101.9	Savings on final account
Reserved Section				
28/01/2013	14204/RES/000	Highway Maintenance Reserved	-3300	Now included as an annual programme
28/01/2013	14204/RES/000	Traffic Management Reserved	-450	Now included as an annual programme
Environment & Neighbourhoods				
Environmental Health				
11/10/2012	01486/000/000	Disabled Facilities Grant (Cttd)	-156.5	Saving rephased to later year
25/10/2012	01492/UNT/000	Time Expired CPOs - Untraced Owners	-158.1	Credits accrued due to untraced owners.
HRA				
23/01/2013	14989/000/000	Affordable Housing HRA	-2423.4	Scheme not to proceed
Central & Corporate Functions				
IT				
23/01/2013	14869/EQP/000	Managed Print Service - Equipment	-171.4	Removed from programme - not needed
Reserved Section				
28/01/2013	14268/RES/000	Corporate Property Maintenance Reserved	-580	Now included as an annual programme
28/01/2013	15620/000/000	Demolition & Dilapidations Reserved	-408.4	Now included as an annual programme

Capital Receipts - Sites scheduled for disposal 2012/13 to 2016/on

2012/13 Disposal sites still to complete:

Easel Site 4
Hollies Hostel, Weetwood, Leeds LS16
Leeds Road, land at, Valley Rd, Kippax
Town End Place, Pudsey (Car showroom)
Town End Place, Pudsey (Offices)

2013/14 Disposals:

7 Barracrough Yard, Rothwell
Bailey's House, Baileys Hill, LS14 6PS
Bellbrooke Place 12
Brander Road 68/70
Brooksbank HOP, Brooksbank Drive, Halton
Burley Hall in Leeds, Kirkstall Lane, Headingley The Salvation Army
Commercial Road 71, Kirkstall
Easel Site 3, Doctors Surgery
Fearnlea PH, Tong Way
Grove Villas 80/82 Cardigan Road
Harehills Place Community Centre LS8 5JL
Headingley Annexe, North Lane, Headingley, Leeds, LS6
High Street 1-11, Kippax
Hillside Reception Centre, 602 Leeds & Bradford Road, Bramley
Inglewood Service Station, Former, York Road
Killingbeck Science Park, Site 3, Leeds
Lobb Cottage, Thorn Lane, Roundhay, LS8 1NF
M1/A1 Link Road Compensation
Manor Mill Lane
Midland Road PC's, Woodlesford
Park Farm, Park Road, Colton
Parkwood Road 98, Beeston, Leeds LS11
Quarry Hill (Plots 1-5)
Ramshead Hill 53
Richmond Court Hostel, Walter Crescent, Cross Green
Sheepscar Archive Building Roscoe Street, (Ramgarhia & Thomas Denby College)
Sovereign Street/ Plot A
Squirrel Way Children's Home, 1 Squirrel Way, Shadwell
St Luke's Nursery, Beeston Hill, Beeston, Leeds LS11
Swarcliffe Avenue
Thornes Farm (Plot 2B)
Vinery Mount 9,
Walmer Grove, Pudsey

2014/15 Disposals:

Ash Tree Primary School, Kippax
Bramham House, Bramham, Freely Lane, Phase 1
Broad Lane 275, Bramley (Q8), Kuwait Petroleum
Brook House, Lytham St Annes, FY3 1YB
Butcher Lane, Land at, Sale of Rothwell Temperence Band
Carriage House/Mansion Cottage/Rose Cottage
Cross Green 185, Land adjoining
Easel Site 3, Bellway
Elland Road (Land for Planet Ice)
Elmete Centre, Elmete Lane, Rounday
Garforth OSC, Former, 1-5 Main Street, Garforth LS25
Grange Court, Garforth
Grange Farm (Land)
High Ridge Park, Rothwell
Kirkstall Hill District Centre
Merlyn Rees High School, Middleton Road
Miles Hill Primary School
Mistress Lane, Armley
Park Lees site, St Anthony's Road, Beeston, LS11
Parkside Lane, LS11
Primrose High School
Royal Park Primary School, Former
Rumple Croft, Meagill Rise, Otley, Strip of land
Sovereign Street/Plot B
St Gregory's Primary School
Summerfield Place, Land at, Bramley, Leeds LS13
Thornes Farm (Plot 5)
West Leeds Family Centre, Former, Whingate Road, Leeds
Westgate Car Park, Westgate, Otley
Westholme HOP, Wortley
Woodland Grove, 3, Leeds 8
Woodland Grove, 4, Leeds 8
Woodland Grove, 5, Leeds 8
Woodland Grove, 8, Leeds 8
Wortley High School
Wyther Community Centre, Rayville Crescent
York Road (Great Clothes/All Saints Development Area)

2015/16 Disposals:

Agnes Stewart School, Land adjoining
Arena Development Site
Ashfield Works, Otley
Clarence Road Industrial Units
Easel Site 6
Former School Site, Middleton
Holt Park District Centre
Holt Park District Centre (Site F)
Lawnswood School, Caretakers Cottage, 10 Spen Road, Leeds
Nepshaw Lane
Rothwell Fire Station, Carlton Lane, Old Dental Clinic
Roundhay Road Area Office (Social Services Site)
Sovereign Street/Plot C
Wyther Park Primary School

2016/on Disposals:

Abbey Mills, Kirkstall Road, LEEDS 4
Aire Street Workshops, 30-34 Aire Street
Bath Road (site D)
Bath Road/Derwent Place (Site B)
Bentley Lane Primary School (Park Lane College)
Charles Street, Farsley
Clarence Road, Hydro Aluminium Site
Copperfields College
Eastmoor School (Former)
Elland Road (Site B Car Park), Leeds
Headrow Housing Group, Cemetery Road
Hill Top PH, land at Beckhill Grove
Ledston Luck Enterprise Park, Ledston Luck, Kippax, Leeds
Leeds Bradford Airport (Coney Lodge Farm - Site 2)
Leeds Bradford Airport (Employment Land - Site 1)
Leeds Bradford Airport (Ransom Strip - Site 3)
Leeds International Pool
Leigh View Medical Centre, land to rear, Bradford Road, Tingley
Matthew Murray High School
North West Leeds Working Men's Club, 101 Lincoln Green Road, Leeds
Oldfield Lane, Wortley (Sports Assoc Field)
Peckfield Colliery, Plots 4, 5 and 6
Pontefract Lane, Wholesale Market Site
Pym Street/Donisthorpe Street (First) - Site Z
Quarry Hill (Plot 6)
Queenswood Drive, Leeds (Queenswood Autos)
South Accommodation Road, Leeds
St Ann's Mills
Union Street, Eastgate & Harewood Quarter
Wade Street/Land Street, Corner of, Farsley
York Road Depot, Easel Site 8

Statement of Policy on the Minimum Revenue Provision for 2013/14

1. Introduction

- 1.1 The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.
- 1.2 Until 2007/08, the basis of calculation for the MRP was specified in legislation. However, from 2007/08 onwards the statutory requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which gives local authorities more freedom to determine what would be a prudent level of MRP.
- 1.3 The statutory guidance requires local authorities to draw up a statement of their policy on the MRP, for approval by full council in advance of the year to which it applies.

These arrangements relate only to new borrowing from 2007/08 onwards. MRP on borrowing undertaken in earlier years continues to be charged in accordance with the regulations previously in force.

2. Details of DCLG Guidance on MRP

- 2.1 The statutory guidance issued by DCLG sets out four options for calculating MRP and specifies the circumstances in which each option can or should be used.
- 2.2 Option 1 is the previous statutory method, which is calculated as 4% of the council's general fund capital financing requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.
- 2.3 Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DCLG to provide a simpler calculation for those councils for whom it would have a minimal impact, but the draft guidance does not expect it to be used by councils for whom it would significantly increase MRP. Since for Leeds Option 2 would result in a higher MRP charge than Option 1, it has been discounted.
- 2.4 Options 3 and 4 represent a more significant change, and both link the rate of MRP charged to the useful life of the asset. Option 3 is to charge the total amount borrowed to revenue over the expected life of the asset, either in equal annual instalments or using an annuity method (which more closely reflects the fact that an asset deteriorates slowly at first and more rapidly during its later years). Option 4 is to charge the total amount borrowed in accordance with depreciation accounting, which would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year. Option 3 is

preferred to Option 4, because in most cases Option 4 would lead to MRP being charged more quickly, and it would also be more volatile.

- 2.5 For capital schemes acquiring new assets which take more than one year to complete, application of Options 3 and 4 would allow councils to delay charging MRP until the year after the new asset becomes operational.
- 2.6 Under the statutory guidance, it is compulsory for local authorities to use Options 3 or 4 for all prudential borrowing, and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.
- 2.7 For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that local authorities make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year.
- 2.8 The 2013/14 MRP policy relates to capital expenditure funded by borrowing in 2012/13. MRP on capital spending from 2007/08 to 2011/12 will continue to be charged on the basis approved in the relevant year's annual MRP policy. For all capital spending from 2006/07 and earlier, the previous MRP calculation of 4% will continue to apply.

3. Implications of the requirement for an MRP policy

- 3.1 One of the implications of the more flexible arrangements for MRP is that it is now necessary to identify which individual schemes have been funded by borrowing and which have been funded by non-specific capital income (e.g. capital receipts and grants), rather than treating the balance of the capital funding requirement after specific capital funding has been applied as being met from a general receipts and borrowing pool.
- 3.2 In the case of capital receipts, statute also gives local authorities the option to apply these to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.
- 3.3 The general principle adopted will be to allocate capital receipts firstly to fund the liabilities to be written down for the year in relation to PFI schemes and finance leases. This will remove the need for MRP charges equal to the value of the capital receipts applied.
- 3.4 Any remaining capital receipts and any other general capital income will then be allocated to those capital schemes which relate to the shortest lived assets. This approach will mean that some schemes which would previously have been funded by prudential borrowing will instead be funded by capital receipts, and as a result other schemes which would previously have been funded by supported borrowing will be funded by prudential borrowing. This is considered to be the most prudent approach, as it will ensure that assets which may be used for example for only 5

years will be paid for immediately, and assets which are expected to be used for more than 25 years will be funded by long term borrowing and paid for by council tax payers over a longer period of time. However, there may be specific circumstances in which this general approach may not be deemed to be appropriate.

4. Proposed 2013/14 MRP Policy

4.1 In its' 2013/14 MRP policy, the council is required to decide on how MRP will be calculated for borrowing undertaken for the 2012/13 capital programme. It is proposed that Leeds adopts the following MRP policies for 2013/14 :

- MRP for prudential borrowing for 2012/13's capital expenditure will be calculated on an annuity basis over the expected useful life of the asset (Option 3).
- MRP for borrowing to fund capitalised expenditure incurred during 2012/13 will be calculated on an annuity basis using the lifetimes recommended in the government's guidance (Option 3).
- For all other supported borrowing to fund the 2012/13 capital programme, MRP will continue to be calculated on an annuity basis over the expected useful life of the asset (Option 3).
- For PFI and finance lease liabilities, an MRP charge will be made to match the value of any liabilities written down during the year which have not been funded by capital receipts.

4.2 These policies will ensure that the council satisfies the requirement to set aside a prudent level of MRP. The arrangements for allocating capital funding set out in 3.3 and 3.4 above will help to ensure that the level of MRP is not excessive.