

SUBJECT:	Capital Budgets 2014/15 - 2017/18
REPORT OF:	Director of Resources

1. Purpose of Report

- 1.1. To review the Authority's Capital Expenditure Programme for the period 2014/15 - 2017/18.

2. Links to Council Policies & Plans

- 2.1. Effective budgeting helps ensure that, as far as possible, resources are aligned to the corporate policies of the council, and that any material risks are assessed.

3. Background

- 3.1. Each year the Authority reviews its Capital Expenditure Programme as part of the overall budget setting process. The Capital Expenditure Programme is made up of a fixed budget for the next financial year and provisional figures for the next three financial years.
- 3.2. There are strict accounting rules regarding what constitutes capital expenditure and these are included in Appendix 1 for reference.
- 3.3. Given the limitations on the capital programme, the Resources PAG on 5 December 06 agreed the following capital evaluation system to assist with the review of the capital programme, particularly the evaluation of capital growth bids. By categorising schemes in order of priority it is easier to ensure that funding is provided to the most important schemes.

Score	Description
*****	The Authority is statutorily required to carry out this investment, for example to meet health and safety requirements, or it is an obligation for the authority under a contract it has entered into.
****	Without this investment the Authority will not be able to maintain its current service / income levels.
***	Proposal will significantly contribute to at least one corporate plan item or is an invest to save proposal (with a business case which demonstrates a clear benefit).
**	Investment will contribute to at least one significant service plan item.
*	Other projects.

4. Current Capital Programme

4.1. The following table shows the current Capital Programme for 2014/15 - 2017/18.

Scheme		Mgr	PAG	Priority Rating	14/15 £'000 Original	14/15 £'000 Re-phased From 13/14	15/16 £'000	16/17 £'000	17/18 £'000
Major Capital Schemes									
Environmental Improvements	RP	CM	Env	***	0	220	0	0	0
Refuse, Recycling & Street Cleaning Vehicles		CM	Env	****	585	0	57	57	57
Grant Budgets									
Community Development Grants	RP	LT	Com	***	15	0	15	15	15
Home Renovation Grants	RP	MH	H&H	**	50	0	50	50	50
Home Renovation Grants Capital Salaries	RP	MH	H&H	**	105	0	105	105	105
Disabled Facilities Grants	RP	MH	H&H	*****	310	0	310	310	310
ICT Budgets									
Desktop IT linked with WIN7 roll out		SD	Res	***	40	0	20	0	0
Renew/develop virtual server environment, move to VMWare	RP	SD	Res	***	25	0	25	25	0
MS Office Licenses (Triennial)	RP	SD	Res	****	0	80	0	135	0
Shared telephony solution*		SD	Res	****	42	0	0	0	0
Shared Uniform/NDL integration of Uniform & Customer Services*		SD	Res	***	33	0	0	0	0
New website, CDC hosting*		SD	Res	***	26	0	0	0	0
Increase website transactional capability*		SD	Res	***	10	0	26	0	0
Shared Finance service - ICON cash receipting system*		RF	Res	***	25	0	0	0	0
Shared Parking Service: ICES 360*		CM	Env	***	23	0	0	0	0
Legal Service: Case Mgt System		JS	Res	***	15	0	0	0	0
Cemeteries/SPMG Software		AC	H&H	**	0	15	0	0	0
Other Capital Budgets									
Recycling initiatives & bins	RP	CM	Env	**	55	0	55	55	55
Evreham R&R Contributions	RP	LT	Com	*****	22	0	22	22	22
Car Park Enhancements	RP	CM	Env	****	10	0	10	10	10
Other Capital Works	RP	CM	Res	**	100	64	100	100	100
Total - Excluding Farnham					1,491	379	795	884	724

RP = Rolling Programme capital scheme - ie a scheme that is ongoing by nature.

* SBDC estimated share of costs of projects agreed by the Chiltern & South Bucks Joint Committee

5. Capital Growth and Re Phasing

ICT Budgets

5.1 The ICT part of the programme has been completely reviewed to reflect the changes arising from the developing programme of joint working with Chiltern DC. This programme has very significant implications for the Council's ICT strategy and the main ones can be summarised as follows.

- Establishing a shared Uniform application and database accessible to staff at either Council's main offices.

- Moving to a single website provider and harmonising the two websites.
- Putting in place a shared telephony system, to replace the two current systems which are at end of their useful lives.
- Joint development of webforms and apps for mobile devices to meet services transformation plans.

These projects have all been subject to report and approval by the Chiltern & South Bucks Joint Committee.¹

- 5.2 In addition to joint projects with Chiltern there are a number of core infrastructure projects that South Buck needs to undertake in order for it to support the day to day operations of the Council. These include:
- Upgrade of desktop software to Windows 7, which requires hardware replacements as well.
 - Server replacements and upgrades following migration to Welwyn Hatfield.
- 5.3 Later in the year South Bucks will be developing a strategic plan with Steria for the last half of the contract period with them up to 2018. This will include joint working projects as Steria are a key partner in the joint working programme.
- 5.4 An amount of £80,000 has been re-phased from 2013/14 for the final phase of the current MS Office Licences which will complete in 2014/15. The next renewal is scheduled to take place in 2016/17.
- 5.6 The budget of £15,000 has been re-phased from 2013/14 for the new software at the cemeteries/SPMG which is now scheduled for 2014/15.

Other Capital Works

- 5.7 Members approved an increase to the other capital works budget in 2013/14 to £100K in order to meet current planned maintenance works and that the budget is maintained at this level for future years subject to annual review. A review of the planned maintenance programme for 2014/15 has identified the following spending requirements:

	£'000
Beacon Centre	20
The Academy	17.5
Stoke Poges Memorial Gardens	16
Parkside Cemetery	23
Holtspur Cemetery	5
Shepherds Lane Cemetery	10
River Road	1
Recharges	49.4
Total	141.9

One project not included in the above in respect of works at Parkside Cemetery for woodland burials has been re-phased from 2013/14 to 2014/15 when these works will be completed.

¹ Joint Committee meetings July 2013, and December 2013.

It is therefore requested that Members consider additional growth for other capital works of £50K to meet the planned programme of rolling works for 2014/15 with the programme thereafter reverting to £100K subject to annual review. In addition a one off growth item has been identified which is detailed below.

- 5.8 Stoke Poges Memorial Gardens - A structural surveyors report has indicated that some action is required to replace rotten timbers in the colonnade structure which are in danger of falling. It is estimated that the cost of this work is £60,000 and Members are requested to consider a one off growth bid to undertake these works in 2014/15.

Environmental Improvements

- 5.9 There is a re-phasing of £220,000 from the 2013/14 budget for the completion of the Beaconsfield Common Land Scheme which will be completed in 2014/15.

6. Capital Receipts Programme

- 6.1. The following table details the current capital receipts programme for 2014/15 - 2017/18.

Scheme	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Government Grants				
Disabled Facilities Grants - Gov Contribution (Note 1)	225	225	225	225
Sales				
Land and Property Sales (Note 2)	-	-	-	-
Total Capital Receipts	225	225	225	225

Note 1: The DFG Grant for 2013/14 is £224,717 and it has been assumed that this level of Government support will continue in future years.

Note 2: For planning purposes future capital receipts from land and property sales have been estimated at nil. This is because there are no known planned sales. However this Authority will continue to review its asset base and seek opportunities to generate capital receipts when appropriate.

- 6.2. The following table details the overall effect on capital reserves based on the above spending (including requested capital growth) and receipts plans.

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Estimated Capital Receipts Brought Forward	6,411	4,656	4,086	3,427
Current Capital Programme	-1,870	-795	-884	-724
Capital Growth	-110	0	0	0
Current Capital Receipts Programme	225	225	225	225
Estimated Capital Receipts Carried Forward	4,656	4,086	3,427	2,928

7. Effect on Revenue Budget

- 7.1. The size of the capital programme has a direct effect on the Council's revenue budget in two ways.
- 7.2. Firstly each pound spent on the capital programme reduces the amount of capital reserves, which in turn reduces the Council's investment holdings and thus the revenue interest earned by the Council. Based on 1% investment returns, increasing the overall capital programme by £100,000 will reduce annual interest by and thus increase the revenue budget by £1,000. Similarly reducing the overall capital programme by £100,000 will increase annual interest by and thus reduce the revenue budget by £1,000.
- 7.3 Secondly additional capital expenditure can result in additional revenue maintenance costs, for instance a new piece of ICT equipment is likely to require additional annual maintenance and support.
In the case of building i.e. roof replacement, boiler replacement, car park resurfacing the revenue costs for minor maintenance expenditure will decrease.

8. Resources, Risk and Other Implications

- 8.1. Failure to effectively review the capital budgets could lead to a sub optimal capital programme with resources not being appropriately directed to the Council's priorities.
- 8.2. Consideration needs to be given to whether the Authority has the capacity to carry out all the works detailed in the capital programme, and service managers will need to ensure that members are kept fully informed of progress with capital works. The financial progress of the capital programme is reported to every Cabinet meeting as part of the budget monitoring report, and this can be supplemented with specific reports to the relevant PAGs on particular projects or programmes.

9. Recommendation

- 9.1. Cabinet is asked to:
- review the capital programme for the period 2014/15 - 2017/18 and come up with an appropriate capital programme proposal, taking into account growth requests which are summarised below.

Scheme	Growth Requested £	Description
Other Capital Works Planned Maintenance	50,000	One off funding to meet the planned maintenance programme identified for 2014/15
SPMG Colonnade Works	60,000	One off funding to replace rotten timbers which are endangering the structure.

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Background Papers:	

Appendix 1: Capital Expenditure Definition

Capital expenditure is expenditure that will produce, add to, or enhance an asset capable of providing benefits to the Authority / community for several years to come. This can include expenditure on land, buildings, plant & equipment and grants.

Revenue expenditure covers the day-to-day running costs of the Council.

The actual full definition of what constitutes capital expenditure is complex. The basic definition is set out in Part 1 of the Local Government Act 2003 which states that capital expenditure is to be interpreted in accordance with proper accounting practice subject to any regulations or directions issued by the Secretary of State.

Proper accounting practice is then set out in the Code of Practice on Local Authority Accounting and includes expenditure on the:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, building and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

And enhancement in this context means the carrying out of works, which are intended to:

- lengthen substantially the useful life of the asset; or
- increase substantially the open market value of the asset; or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned.

However the Secretary of State has also issued the Local Authorities (Capital Finance and Accounting) (England) Regulations that allow the following additional items (amongst others) to be treated as capital expenditure

- expenditure incurred on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program - s25 (1)(a)
- loans or grants for capital expenditure by another body - s25 (1) (b).