
REPORT TO: FINANCE & MANAGEMENT

AGENDA 9
ITEM:

DATE OF MEETING: 17TH JANUARY 2002

CATEGORY:
DELEGATED
OPEN

REPORT FROM: CHIEF FINANCE OFFICER

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DOC:
c:\myfiles\cherrill\terryneaves\reports\capital report 2002 - fmtjn.doc

SUBJECT: CAPITAL PROGRAMME 2002/3

REF: TN

WARD(S) AFFECTED: ALL

TERMS OF REFERENCE: F3

1. Recommendations

- 1.1 Members are asked to consider the outline capital schemes designated for this committee as set out in Appendix A and approve the indicative priorities as set by the Service and Financial Planning Working Group.

2. Purpose of Report

- 2.1 Members are asked to consider the proposed capital schemes for this committee and comment on the relative priorities of these schemes.

3. Content

SINGLE CAPITAL POT

- 3.1 This is the first year that the Government is making a general capital allocation to local authorities known as the "single capital pot".
- 3.2 In previous years local authorities received two separate allocations for housing and general fund purposes. These were then earmarked for this specific purpose.
- 3.3 With the introduction of a general allocation local authorities have the freedom to determine how they allocate resources between housing and general fund schemes.
- 3.4 Last year the government introduced the major repairs allowance (MRA). This is a separate allowance to pay for major works to housing properties. Previously, this work was financed by the housing capital allocation, which has reduced accordingly.

3.5 The net impact of the MRA is however positive with the gain from the introduction of the MRA exceeding any loss in housing capital allocation. Next year (2002/3) the MRA is expected to be £1.977m. At most the Council has seen its capital allocation reduce by £1m, which essentially represents an overall increase of £1m in capital resources for Housing Schemes.

Capital Strategy

3.6 Under the new arrangements for a single capital pot, each authority is required to produce a capital strategy

3.7 The Capital Strategy requires councils to set a framework for investing in new capital schemes and generating the resources to fund them.

3.8 Key principles within the South Derbyshire strategy focus on the need for responsible bidding. Essentially this means that the Council will bid for funds:-

- Where funding will enable the Council to implement schemes that are consistent with its key aims and objectives
- The Council has the revenue resources to fund any running costs stemming from the reviews.

3.9 The Strategy also includes a detailed action plan setting out how the Council will adopt a more co-ordinated approach to capital programme management and investment.

3.10 Another key aspect of the Action Plan is the introduction of a 5 year Capital Programme, which sets out the capital funding priorities for the Council over the medium term.

3.11 It is recognised that, at the outset, the Council will not have all the funds necessary to fund the whole 5-year programme. However the programme is an essential tool for prioritising schemes, so that the Council directs its bidding effort towards these schemes.

3.12 The Capital Strategy is an important document because it has some influence over the amount of capital resources allocated to each local authority.

3.13 For the current year 5% of the available capital resources are allocated based on the quality of capital strategies and asset management plans produced by each authority. The remainder is allocated according to a needs based formula.

3.14 The Capital Strategy for South Derbyshire has been assessed as good while the Asset Management Plan has been assessed as satisfactory. The result of this assessment is that South Derbyshire can expect to receive extra capital resources of £100,000.

Capital Resources

3.15 Next year the total capital resources available to South Derbyshire are estimated to be £1,126,000. The table below sets out the estimated Capital Resources for South Derbyshire in 2002/3 and makes comparisons with the previous year 2001/2.

CAPITAL RESOURCES	2001/2	2002/3
Annual Capital Guidelines – Housing	659	782
Annual Capital Guidelines – General Schemes	104	105
Sub-Total	763	887
Less Receipts Taken into account	-77	-204
Sub-Total	686	683
Add Discretionary Element of BCA	n/a	100
Total Basic Credit Approvals	686	783
Estimated Supplementary Credit Approvals	140	(e)140
Total Credit Approvals	826	923
Capital Receipts – House Sales	450	400
Capital Receipts – Land Sales/Agreements	2,778	-
Sub-Total	4,054	1,323
Capital Receipts brought forward	146	-
Revenue Contributions to Capital	167	178
Sub-Total	4,367	1,501
Less Covenant Principle Payments	352	375
Total Capital Resources	4,015	1,126

3.16 The above table provides an estimate of the supplementary credit approval, which is to be allocated to Disabled Facilities Grants. If the Council takes up the whole of its allocation it will need to identify capital resources of £233,000 for this purpose.

3.17 In view of the greater flexibility now available to allocate capital resources between Housing and General Fund Schemes, the Service and Financial Planning Working Group made an initial allocation of £400,000 in capital resources for general fund schemes with the remainder allocated to Housing Schemes.

Assessing Capital Schemes

3.18 All Capital Schemes have been assessed against criteria set out within the Capital Strategy and agreed by Finance & Management in November 2001. The results of that scoring and the indicative schemes that are suggested for this committee are set out in appendix A. The indicative resources for 2002/3 for Finance & Management are summarised in the table below.

Finance & Management Committee	
Total Indicative Capital Resources	£213,000

3.19 If Members wish to allocate resources to an alternative scheme set out at Appendix A they will also need to identify other schemes within this committee that they do view as such a high priority to fund the alternative scheme.

4. Conclusion

4.1 In view of the level of capital resources, the programme will rely heavily on bidding for external funds to generate extra capital resources. This can be both expensive and time consuming, with by no means any guarantee of success.

4.2 With this in mind it is important that the programme focuses on those schemes that score well within the evaluation. When considering these proposals it is important that members consider the range of scores achieved by the proposed capital schemes.

5. Background Papers

5.1 The following background papers have been used when compiling this report

- Capital Strategy 2001