



Budget and Finance Overview and Scrutiny Committee

7 December 2010

Report from the Director of Finance and Corporate Services

For Information

Wards Affected:
ALL

The Capital Programme

1.0 Summary

- 1.1 This report provides an update on the Capital Programme for 2011/12 onwards.

2.0 Recommendations

- 2.1 The Committee is recommended to consider the issues laid out within this report when setting out its view of the budget priorities and any other issues it considers relevant.

3.0 Detail

- 3.1 The capital programme is a four year rolling programme which is up-dated each year. The current 2010-11 to 2013-14 capital programme was agreed as part of the overall 2010-11 budget process in March 2010 and has been up-dated to reflect changes subsequently reported to the Executive. This includes accounting for slippage of previous years' spending into 2010-11 and the likely impact of any cuts announced by Central Government prior to the Spending Review.
- 3.2 Attached at Appendix 1 to this report is a summary of an initial draft Capital Programme for 2011-12 to 2013-14 based upon the existing capital programme restructured to reflect the new Council departmental structure. As such the programme currently reflects the priorities of the previous Corporate Strategy and will require up-dating to reflect information on spending priorities arising from the new Borough Plan. The capital programme will also require extending to include the 2014-5 financial year.

- 3.3 The key challenges for the development of the capital programme are:
- a. To revisit the estimated sources of funding, taking into account:
 - the impact of the 2010 Spending Review (SR10) which will not come clear until after the local government settlement has been announced, and
 - the continuing impact of the economic downturn on other contributions such as reduced levels of S106 Agreement monies arising from a slowing of major development projects.
 - b. The ongoing need to provide additional school places across the borough and address other school capital needs, particularly in light of the cancellation of the Building Schools for the Future (BSF) programme.
 - c. To ensure that the up-dated capital programme delivers the council's key priorities within the resources available.
- 3.4 The capital programme is currently based on the assumption that borrowing that falls on the General Fund will be at the level set out in the council's existing medium term financial strategy. This was agreed by Full Council in March 2010.
- 3.5 This strategy increases borrowing costs each year at a time when revenue resources are falling leading to interest costs taking up an increasing share of total revenue resources. Members could decide to reduce that borrowing as a way of easing the pressure on the Council's revenue position in future years. In order to achieve this, reductions would have to be made in capital programme spend or alternative funding sources would have to be identified to replace borrowing.
- 3.6 General Fund borrowing levels currently included in the capital programme are as follows:

	2011/12 £000	2012/13 £000	2013/14 £000
Supported Borrowing	4,600	4,600	4,600
Unsupported Borrowing	11,324	6,714	6,699
Unsupported Borrowing – Self Funded	47,456	36,452	17,416
Total Borrowing	63,380	47,766	28,715

In year revenue costs associated with borrowing in terms of interest charges are based on the previous years expenditure and are as follows:

	2011/12 £000	2012/13 £000	2013/14 £000
Supported Borrowing	230	230	230
Unsupported Borrowing	2,181	2,939	2,158

- 3.7 Minimum Revenue Provision is an additional revenue cost arising from the Capital Programme. The scheme of Minimum Revenue Provision (“MRP”) was originally set out in regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and was subsequently revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. MRP is a requirement on local authorities to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or credit arrangements.

MRP is a cumulative charge which reflects previous years borrowing, the charges arising in the periods under consideration in this report are as follows:

	2011/12 £000	2012/13 £000	2013/14 £000
Minimum Revenue Provision	9,326	9,489	9,576

Any reductions to future borrowing levels will not reduce the level of MRP arising from previous years but will restrict the growth of the charge on revenue.

- 3.8 The elements of borrowing for which the costs are borne centrally and for which measures could be taken to reduce the revenue budget gap are the supported and unsupported borrowing. Borrowing costs from Self Funded elements of unsupported borrowing are met from the individual service revenue budgets and reflect committed schemes for which there is budgetary provision.
- 3.9 Consideration of the potential to reduce the levels of borrowing incurred to fund the capital programme will need to take into account the level of grant that will be made available via the local government settlement, the extent of other funding sources and contributions available and those schemes where there is a continuing commitment to fund or a statutory requirement to make provision. Members will then be able to consider the level of any funding gap arising, the total level of borrowing affordable to the General Fund revenue budget and the prioritisation of schemes within the Capital Programme.

4.0 Financial Implications

- 4.1 The report is entirely concerned with financial implications which have consequences for the council’s services in future years.

5.0 Legal Implications

- 5.1 The council's Standing Orders contain detailed rules on the development of the council's budget. Some elements of these rules are required by the Local Authorities (Standing Orders) (England) Regulations 2001 but a number are locally determined.

6.0 Diversity Implications

- 6.1 Prioritisation and decision making as part of the budget process are tied into the council's corporate strategy, individual strategies and service development plans. The priorities within these reflect the council's commitment to tackling discrimination and disadvantage as part of its Comprehensive Equality Plan (CEP). In addition, services are required to carry out Impact Need and Requirements Assessments where it is considered that savings proposals could have an equality impact. The impact of budget decisions is monitored through the council's performance monitoring systems. Members need to bear in mind the diversity implications of any proposals they put forward.

Background Papers

None

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CLIVE HEAPHY

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