

**BROMSGROVE DISTRICT COUNCIL**

**EXECUTIVE CABINET**

**21<sup>st</sup> February 2007**

**Capital Programme - 2007/08 to 2009/10**

Responsible Portfolio Holder	Councillor Margaret Taylor
Responsible Head of Service	Head of Financial Services

**1. Summary**

1.1. The purpose of this report is to provide information to enable the Executive Cabinet to make recommendations to the Council on the Capital Programme for 2007/08 to 2009/10.

**2. Recommendations**

2.1. It is recommended that Executive Cabinet recommend to full Council that:

2.1.1. the Capital Programme for 2007/08 to 2009/10 as detailed in paragraph 9.2 comprising the continuation of existing schemes and the new 'High' priority capital schemes shown on Appendix A of the report be approved;

2.1.2. Executive Cabinet delegates authority to the Head of Financial Services, in consultation with the portfolio holder for Finance and Heads of Service in respect of projects, to release capital funds subject to receipt of a robust business case and an option appraisal demonstrating that the Council is achieving value for money;

2.1.3. the capital budgets for the Dolphin Centre and leisure related schemes totalling £1.244m be removed from the Revised Capital Programme for 2006/07 whilst consideration is being given to alternative ways of providing these services;

2.1.4. approval is given for the carry forward of the estimated under spent budgets totalling £2.233m from 2006/07 to 2007/08 as detailed on Appendix B; and that

2.1.5. approval is given to remove the Swanslength Play Area refurbishment/extension £40k capital scheme from the 2006/07 Revised Capital Budget.

**3. Background**

- 3.1. The Council on 28th February 2006 approved a Medium Term Financial Plan which included the revenue and capital budget requirements for 2006/07 to 2008/09.
- 3.2. On 6<sup>th</sup> September 2006 Executive Cabinet approved the budget process and timetable to be followed for reviewing the three year budgets for revenue and capital for 2006/07 to 2008/09 included in the Medium Term Financial Plan, including rolling them forward to include 2009/10.
- 3.3. This report is intended to obtain approval for the Capital Programme for 2007/08 to 2009/10. The Revenue budget implications are included in the Medium Term Financial Plan report as presented later in your agenda.
- 3.4. As part of the approved budget process a series of away-days have been held in October/November 2006 between Members of the Executive Cabinet, the Strategic Management Team, and heads of service in order to shape priorities for the forthcoming year that would drive the budget process and the formulation of service business plans.
- 3.5. The following new Council vision, objectives, and priorities were approved by full Council on 19<sup>th</sup> September 2006 and have been used in assessing the merits of bids for capital resources in the latest Capital Programme:

#### 3.5.1. Council Vision

“Working together to build a district where people are proud to live and work, through community leadership and excellent services”

#### 3.5.2. Objectives

- |                                      |  |
|--------------------------------------|--|
| 1. Regeneration                      | <u>Priorities</u> <ul style="list-style-type: none"> <li>• Town Centre</li> <li>• Longbridge</li> <li>• Housing</li> </ul>                           |
| 2. Improvement                       | <u>Priorities</u> <ul style="list-style-type: none"> <li>• Customer Satisfaction</li> <li>• Reputation</li> <li>• Performance Improvement</li> </ul> |
| 3. Sense of Community and Well Being | <u>Priorities</u> <ul style="list-style-type: none"> <li>• Community Activities</li> <li>• Community Influence</li> </ul>                            |
| 4. Environment                       | <u>Priorities</u> <ul style="list-style-type: none"> <li>• Clean Streets</li> <li>• Planning</li> </ul>  |

#### **4. Scrutiny of budget**

- 4.1. An initial presentation of the financial plan was given to all Members on 20<sup>th</sup> December 2006.

## **5. The Capital Programme**

- 5.1. As part of the budget process approved by Executive Cabinet on 6<sup>th</sup> September 2006 the timetable for preparation of the Council's Capital Programme for 2007/08 to 2009/10 was agreed.
- 5.2. Under the process that has been approved bids for new capital schemes and additional resources have been made and these bids demonstrate how projects directly link to the corporate priorities and objectives.
- 5.3. All capital schemes that receive approval from Members will be developed into detailed business cases and it is proposed that approval to release capital funds should only be given on receipt of a robust business case, including an option appraisal demonstrating that we are achieving value for money.
- 5.4. The Council's new vision, objectives, and priorities as detailed in paragraph 3.5 have been used in assessing all new capital schemes.
- 5.5. Criteria has already been approved in relation to the Capital Programme to include:
  - The capital programme is limited to £1m per annum funded from the Council's own resources (in order to maximise the investment interest);
  - Executive Cabinet give consideration to fund housing grants over and above the £1m.
- 5.6. Executive Cabinet also approved the capital investment criteria (as part of the Capital Strategy) that a scheme should satisfy for inclusion in the capital budget as follows:
  - Maintain existing assets to standards suitable for service delivery.
  - Improve and acquire assets to meet service and customer needs.
  - Improve the stewardship of assets; spend to save (innovative schemes that will secure the Council a better rate of return than the investment interest earned); to reduce longer-term problems and liabilities.
  - Satisfy legal obligations of the Council (e.g. health and safety requirements, and compliance with the disability discrimination legislation).
  - Develop community assets in areas of need.
  - Maximise the use of other funds to encourage investment in specific areas such as energy efficiency, economic development and infrastructure developments (using funds derived from Section 106 agreements with developers).
  - Maximise the benefits of partnership working.

- 5.7. Officers are currently updating the capital strategy which will include the above. This will be presented to Members at the March 2007 Cabinet meeting.
- 5.8. The current financial plan covers a period of 3 years. It is proposed that a 5 year projection will be considered as part of the 2008/09 review and that this is further developed into an overarching 5 year financial strategy. The development of a strategy was considered as part of this years review however as it is likely that the Council will need to utilise prudential borrowing within the next few years it was felt more appropriate to develop this as part of next years review. It is further recognised by officers that this work will need to start earlier in the year, in accordance with the business planning and performance management annual timetable as approved by Cabinet on 6<sup>th</sup> December 2006.

## **6. Dolphin Centre Capital Schemes**

- 6.1. Consideration is currently being given to alternative ways of providing the leisure related services provided by the Council and the commencement of capital schemes has therefore been placed on hold.
- 6.2. The Revised Capital Budget for 2006/07 currently includes the following capital schemes totalling £1.265m:  
  
Dolphin Centre Upgrade Phase II (Health & Fitness Suite) £1.192m  
Dolphin Centre Provision of Play Area £40k  
Upgrading of Leisure Booking & Receipts/Income Flex-on-line IT System £33k
- 6.3. Work has however commenced on the Leisure Booking IT scheme and a budget of £21k will still be required in 2006/07 for costs incurred to date.
- 6.4. In the circumstances it is recommended that these scheme budgets totalling £1.244m need to be removed from the capital budget until the position on the future provision of leisure related services has been finalised.

## **7. Carry forward of Unspent Capital Budgets to 2007/08**

- 7.1. Monitoring of the capital budget takes place monthly and the position is reported regularly to Performance Management Board and Executive Cabinet. The position at December 2006 shows that many schemes have been delayed for a variety of reasons and will require the remaining budgets to be carried forward to 2007/08 to allow for progression and completion of the schemes. It is now recommended that approval be given for the estimated budget carry forward as part of the budget process.
- 7.2. The total of budgets which require carrying forward to 2007/08 is £2.233m and the full schedule showing the individual schemes can be seen at Appendix B.

- 7.3. On 20<sup>th</sup> July 2005 Executive Cabinet approved a £40k budget for refurbishing and extending the play area at Swanslength Alvechurch funded from Section 106 receipts. The scheme will not be proceeding in its current form and now requires approval to be removed from the 2006/07 Revised Capital Budget. It is proposed that the £40k budget provision will instead be utilised as part funding for a new wider scheme bid totalling £90k for Alvechurch Youth Facilities. See Appendix A for full details.

## **8. Capital Income**

- 8.1. It is estimated that the level of capital receipts available at the start of 2007/08 will be £13m.
- 8.2. A review of the likely capital receipts in the period 2007/08 to 2009/10 has been undertaken and it has been estimated that the level of capital receipts is as follows:

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Estimated total capital receipts for Council use	£0.295	£0.769	£0.244	£0.043

The £13m available for investment at the beginning of 2007/08 quoted above includes the £0.295m estimated to be received for 2006/07.

- 8.3. The amounts shown are for Council use after the housing capital receipts have been 'pooled' and a proportion paid over to Central Government as required under the Local Government Act 2003 and the Prudential Code capital control system which began on 1st April 2004. As Members are aware the Council transferred its housing stock to Bromsgrove District Housing Trust (BDHT) on 29<sup>th</sup> March 2004 and we are however still receiving small amounts of capital income from the repayment of discounts granted on pre Large Scale Voluntary Transfer (LSVT) Right to Buy sales on the re-sale of these properties, but this will cease at 31<sup>st</sup> March 2007.
- 8.4. Capital receipts are also still being received on low levels of sales of the Council's holding in shared ownership properties, and sales of retained housing land and assets which have been transferred to General Fund.
- 8.5. Capital receipts of up to £1.2 million are also anticipated from BDHT under a VAT Shelter/Sharing arrangement following the transfer of the Council's housing stock. This relates to a refund of Value Added Tax previously paid over to HM Revenue and Customs (HMRC) which will be shared between BDHT and the Council. The precise amount is currently uncertain because it depends on ongoing discussions between BDHT and HMRC. £1.2m has been included in the projected capital receipts

under these arrangements at this stage but this could be reduced once discussions are concluded.

- 8.6. The Capital Programme has been reviewed in accordance with the above timetable and process and attached at Appendix A is the complete list of new bids for schemes that have been brought forward for consideration. Corporate Management Team has reviewed all schemes proposed by officers and only brings forward those that meet the investment criteria.

## **9. Capital Expenditure**

- 9.1. As part of this years' budget process Heads of Service have completed funding request forms as part of their bids for resources and the bid forms demonstrate how the projects directly link to the corporate priorities and objectives.
- 9.2. A summary of the proposed capital programme including the new High priority capital schemes only is shown in the following table:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
<b>New proposals</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Street Scene & Waste Management	0.926	0.388	0.575	3.481
Policy and Performance	0.020	0	0	0
Legal and Democratic	0.184	0.150	0	0
Culture and Community	0.200	0.354	0.100	0.079
e-Government/ICT schemes	0.105	0	0	0
Housing schemes / P&E	0.680	0.000	0.000	0.000
Support Services Recharges (to be charged to schemes)	0.127	0.130	0.133	0
<b>Total (new proposals)</b>	<b>2.242</b>	<b>1.022</b>	<b>0.808</b>	<b>3.560</b>
Existing Schemes	2.417	6.790	0.848	0.873
<b>Total</b>	<b>4.659</b>	<b>7.812</b>	<b>1.656</b>	<b>4.433</b>

- 9.3. The capital programme will be financed from a variety of sources including Section 106 receipts from property developers, external contributions, Government Grants, and capital receipts the Council has been allowed to retain under the new capital 'pooling' arrangements. Details of the proposed financing arrangements for the capital programme are shown below:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
<b>Capital Receipts</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital receipts	2.072	7.361	1.375	4.152
Housing schemes	1.325	0	0	0

financed from capital receipts				
Housing schemes financed from capital receipts ring fenced for low cost housing	0.051	0.040	0	0
Housing schemes financed from retained capital income after pooling	0.011	0	0	0
'Spend to Save' schemes financed from capital receipts	0.089			
<b>Total capital receipts</b>	<b>3.548</b>	<b>7.401</b>	<b>1.375</b>	<b>4.152</b>
<b>Other funding</b>				
Section 106 Agreements	0.668	0.130	0	0
Government Grants	0.443	0.281	0.281	0.281
<b>Total other funding</b>	<b>1.111</b>	<b>0.411</b>	<b>0.281</b>	<b>0.281</b>
<b>Total Programme</b>	<b>4.659</b>	<b>7.812</b>	<b>1.656</b>	<b>4.433</b>

- 9.4. As Members can see from the above the proposed schemes significantly exceed the £1m limit, however given the impact on the Council's priorities it is not felt possible to reduce the proposals any further and the capital programme comprising the existing schemes and the 'High' priority capital scheme bids as shown on Appendix A is recommended for approval.
- 9.5. If Members approve the Capital Programme as detailed, and the leisure related budgets totalling £1.244m are removed from the 2006/07 Revised Capital Budget as recommended in paragraph 6, the effect on capital receipts is as follows:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening balance	13.165	10.386	3.229
Used in year	-3.548	-7.401	-1.375
Received in year	0.769	0.244	0.043
<b>Closing balance</b>	<b>10.386</b>	<b>3.229</b>	<b>1.897</b>

- 9.6. As has been highlighted already the request to release these additional funds will have a knock on effect to level of the investment interest receivable and this will be included within the overall revenue budget summary when this is presented for consideration under a later report to this meeting.

9.7. As can be seen from the above table the estimated balance at 31<sup>st</sup> March 2010 will be insufficient to fund a significant capital programme within the district. The Council therefore may have to address the issue of borrowing.

9.8 The Prudential Code that came into force on April 1<sup>st</sup> 2004 as part of the Local Government Act 2003, allows councils to borrow without the consent of central government, as long as they remain within their own affordable borrowing limits. Future revenue streams are used as security for loans. Any borrowing would have an impact to the Revenue account and therefore would represent an additional charge against the Council Tax.

## **10. FINANCIAL IMPLICATIONS**

10.1 None other than those reported above.

## **11. LEGAL IMPLICATIONS**

11.1 There are no legal implications.

## **12. CORPORATE OBJECTIVES**

12.1 The projects as included within the Capital Programme have been aligned to the corporate objectives.

## **13. RISK MANAGEMENT**

13.1 Risk Assessments for all approved projects are undertaken as part of the detailed project proposals.

## **14. CUSTOMER IMPLICATIONS**

14.1 The projects proposed are assessed in line with objectives and priority and demonstrate improvements in customer service.

## **15. OTHER IMPLICATIONS**

Procurement Issues – All expenditure relating to the projects will be subject to the Council procurement rules.
Personnel Implications – None
Governance/Performance Management - None
Community Safety including Section 17 of Crime and Disorder Act 1998 - None
Policy - None
Environmental - None
Equalities and Diversity - None

## **16. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	<b>Yes</b>
Acting Chief Executive	<b>Yes</b>
Corporate Director (Services)	<b>Yes</b>
Assistant Chief Executive	<b>Yes</b>
Head of Service	<b>Yes</b>



Head of Financial Services	<b>Yes</b>
Head of Legal & Democratic Services	<b>Yes</b>
Head of Organisational Development & HR	<b>Yes</b>
Corporate Procurement Team	<b>Yes</b>

## **17. APPENDICES**

Appendix A – Bids for New Capital Schemes

Appendix B – Estimated Budget Carry Forwards to 2007/08

## **18. BACKGROUND PAPERS**

Detailed working papers

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