

DRAFT CAPITAL PROGRAMME 2009/10

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

19 FEBRUARY 2009

Wards Affected

County-wide

Purpose

To propose the draft capital programme for 2009/10.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000 and it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

Recommendation(s)

THAT Cabinet recommends to Council that:

- (a) the funding available be noted;
- (b) the funding allocations to capital bids be endorsed;
- (c) the impact of capital spend be noted; and
- (d) the position on the capital receipts reserve be noted.

Reasons

To bring the council's capital spending plans up to date, noting the available funding and capital bid funding recommendations.

Considerations

OVERALL

1. The council has received indicative funding notifications from central government for 2009/10 and future years. A table showing the anticipated position for the next three years' (taking into account 2008/09 slippage) is detailed in **Appendix 1**. The financing costs of existing allocations, including allocations previously committed to for future years, is included in the Financial Resource Model (FRM).
2. Supported Capital Expenditure (Revenue) allocations for 2009/10 receiving Revenue

Support Grant (RSG) support, totals £13.57m, split £2.37m towards children's services and £11.20m towards environment and culture.

3. The council faces a number of uncertainties around future capital projects with the financial commitment not known at this stage. These projects include corporate accommodation, Edgar Street Grid and the Livestock Market. It is for this reason that the council needs to exercise caution when releasing funding to the capital programme.

CAPITAL BIDS

4. Prudential borrowing funded commitments already allocated following the submission of successful capital bids in prior years' totals £12.66m in 2009/10. This includes £3.09m of funding allocated to Herefordshire Connects. The financing cost of existing commitments is included in the FRM along with the capacity to fund an additional £3.82m in 2009/10. Additional capacity in the FRM is also generated by slippage in capital projects however caution must be applied when using this funding source.
5. Bids have been requested from all directorates as part of the annual capital strategy process. The details of bids received are set out in **Appendix 2**. It was decided to recommend bids that commence in 2009/10 only, future years' funding requests will be considered in future year bidding rounds.
6. In total 31 bids were received and of these 15 are recommended for funding at a cost of £3.68m in 2009/10. One bid to be financed from future revenue savings is also recommended for funding, relating to leisure centre plant and equipment. The majority of bids that are not recommended for funding failed because their ranked score fell below the funding available. In addition one bid was for a revenue scheme so cannot be funded and three bids were not able to be costed so are also not recommended for funding. The bids received were reviewed by the Capital Strategy and Monitoring Group. The assessment process covered:-
 - Links to existing corporate plans – strong links equals a higher score,
 - Costing certainty for capital and revenue costs – greater certainty equals higher score,
 - Service Delivery Improvements – more improvements equals higher score,
 - Alternative funding sources from outside bodies and revenue savings – contributions and savings identified equals higher score,
 - Carbon Footprint implications – a separate questionnaire was drafted and reviewed by the Sustainability Manager, a higher score was given where the carbon footprint was reduced. This was the first year this element was included,
 - VAT implications – where the scheme would impact on the council's VAT partial exemption position a low score was recorded,
 - Legal requirements – where the bid was made under a legal requirement a higher score was given.

Each bid was given a total score and ranked as detailed in **Appendix 2**. The scores were not weighted.

7. Bids recommended for funding are summarised below. Several bids help mitigate the effects of the current economic climate.

7.1 Mortgage Rescue

This funding will assist families experiencing financial difficulties to remain in their own home by providing grant funding in partnership with a housing association who would buy the property and lease back to the household.

7.2 Disabled Facilities Grant

The disabled facilities grant adaptations within client homes are made in order to facilitate independent living and assist in early hospital discharge. This is a statutory grant the council is mandatorily obliged to provide and currently there is a backlog of grant applications.

7.3 Hereford Cathedral Close

The regeneration of the Cathedral Close will significantly improve the quality of the principal public green space at the heart of the mediaeval city. This bid is recommended for funding subject to confirmation of the grant funding available from the Heritage Lottery fund towards this scheme.

7.4 Low Cost Home Ownership

The scheme assists those in housing need to gain a foot on the housing ladder. In the absence of such a scheme they would have no alternative but to seek rented accommodation through Home Point. All those assisted will be registered with Home Point as being in housing need.

7.5 Maintenance for Halo Leased Properties

This bid will fund backlog maintenance works to properties occupied by Halo in Hereford and Leominster. These works are the council's responsibility as landlord.

7.6 Replacement Leominster Youth Centre

This bid is to provide a new youth centre in Leominster through the refurbishment of a former design and technology block on the Minster college site. There is a possible S106 receipt that could be used to partly fund this, however, this funding may not be received so is excluded from the bid. The bid covers an initial sum to provide further scope of the possible options and solutions. The release of further monies that may be required would be dependent upon an assessment of the viability of each option.

7.7 Hereford City Shop Front Grants

This bid will assist independent businesses in the current economic climate by providing grants of either £5k or 80% of the total project costs - whichever is the lesser.

7.8 Relocation of Hereford Retail Open Market

This bid is to relocate the Hereford Open Retail Market (held weekly on a Saturday and Wednesday) to the recommended site of Commercial Street where St Peters Street meets with High Town. This funding will be used to purchase thirty pop up stalls and a vehicle for the transporting and storing of the stalls.

7.9 Hereford Academy

The DCSF expect local authorities to determine and fund as necessary the level of post contract award project management costs of the new Hereford Academy scheme. This will provide assurance to the Council that the Framework agreement is working as it should be.

7.10 Self Service PC Booking System

This bid is for the purchase of a new self-service PC booking and print management system for libraries and Info shops which will be used to enable service users to book items themselves.

7.11 Rotherwas futures

This bid is for Rotherwas estate development work, including infrastructure, re-roofing, land payments and road works to provide new jobs and is part funded by AWM.

7.12 Buttermarket Project

This bid will cover feasibility costs which will determine the total capital project and cost required following the deterioration of the structure of the building which could possibly lead to the closure of the outlet.

7.13 Maintenance for Schools – Legionella works

This bid will fund backlog maintenance works to schools within the county that are the council's responsibility to prevent legionella.

7.14 Essential Maintenance to Corporate Buildings – Legionella works

This bid will fund maintenance works to building fabric, mechanical and electrical installations in corporate buildings to prevent legionella.

7.15 Empty Property Activity

This scheme is delivered in partnership with registered social landlord partners to bring empty properties back into use primarily through leasing the property from the owner for a six year period.

8. A bid was also received for funding towards the Building Schools for the Future capital scheme. The council has submitted an expression of interest to bring forward the Building Schools for the Future initiative. If successful the first project will see approximately £80m capital spend on new build and the significant refurbishment of six schools. However, the DCSF expects Local Authorities to provide funding to implement these capital schemes at approximately 3% of the cost, representing £2.4m. The funding required would be approximately £800k per annum over the next three years and is expected to fund project management, consultants, survey, technical and site investigation costs. However, a greater part of this funding may be required in the earlier stages of the programmes with less later on. Not all of these costs would be capital so sources of revenue funding would need to be explored, for example through school contributions, Dedicated Schools Grant, Devolved Formula Capital and council reserves. A decision on when Herefordshire will join the BSF programme is expected from the DCSF in late February.

9. The council will receive a capital reward grant for targets reached under the Local Public Service Agreement 2 (LPSA2). This funding may be drawn upon to fund capital bids but it is not included in the available resources for 2009/10.
10. There are a number of developers' contributions towards capital schemes that may be realised over the coming year. These include contributions towards youth facilities in Leominster, highway improvements in North Hereford and a replacement playing pitch at Aylestone Park. However, the current economic climate suggests that these are likely to be delayed or even lost should planning permission expire.

CAPITAL RECEIPTS RESERVE POSITION

11. The capital receipts reserve totalled £17.94m as at 1st April 2008. In 2008/09 receipts of £2.53m have been received to date with expected capital receipt reserve spending in 2008/09 of £11.02m leaving an expected balance of £9.45m to be carried forward into 2009/10. This may change if schemes slip and additional receipts are received before the end of March. The remaining balance is committed to strategic housing, corporate accommodation and the livestock market.
12. Capital receipts reserve funding of £2.77m has been committed to fund the 2009/10 capital programme so far.

Financial Implications

13. The financial implication of funding the recommended bids is detailed in **Appendix 2**. As a related issue it should be noted that revised Prudential Indicators will need to be considered and approved by full Council before the new financial year as part of the draft Treasury Management Strategy

Risk Management

14. The risks associated with individual bids are often unique to that scheme and therefore will need to be considered on an individual basis.

The risk of committing funding needs to be considered as part of the Medium Term Financial Management Strategy and the revised Prudential Indicators. These can be mitigated through careful financial management and monitoring of the programme's funding against the relevant Prudential Indicators.

Alternative Options

The alternative options centre on funding fewer schemes or increasing the pressure on the revenue budget by funding more schemes.

Consultees

Capital Strategy and Monitoring Group.

Appendices

Appendix 1 Medium Term Capital Plan

Appendix 2 Summary of 2009/10 Prudential Borrowing bids

Background Papers

Financial Resource Model

Medium Term Financial Management Strategy

APPENDIX 1

MEDIUM TERM CAPITAL PLAN

	2008/09	2009/10	2010/11	2011/12
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children's Services	17,315	29,668	30,097	3,655
Resources	4,210	2,910	8,600	-
Deputy Chief Executive	5,564	4,570	10	39
Adult Social Services	905	551	255	-
Regeneration	11,424	5,904	2,945	-
Environment & Culture	23,809	19,542	13,735	1,554
Available funding not yet allocated	-	3,821	646	646
	63,227	66,966	56,288	5,894
Funded by:				
Supported Capital Expenditure (Revenue)	12,751	13,567	13,210	1,200
Prudential Borrowing	16,041	16,477	9,650	1,039
Capital Receipts Reserve	11,016	2,768	1,264	-
Government Grants & Contributions	23,419	34,154	32,164	3,655
	63,227	66,966	56,288	5,894

2009/10 CAPITAL BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Mortgage Rescue	600,000				25	4,500	35,520	51,048	49,872	799,656
Mortgage Rescue assists families experiencing financial difficulties to remain in their own home/support network										
Disabled Facilities Grant	232,000				25	1,740	13,734	19,739	19,284	309,200
The disabled facilities grant adaptations within client homes are made in order to facilitate independent living and assist in early hospital discharge.										
Hereford Cathedral Close	75,000	75,000			25	563	5,940	12,909	12,615	206,148
The regeneration of the Cathedral Close will significantly improve the quality of the principal public green space at the heart of the mediaeval city.										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Low Cost Home Ownership	500,000				25	3,750	29,600	42,540	41,560	666,380
The scheme assists those in housing need to gain a foot on the housing ladder that would otherwise have no alternative but to seek rented accommodation through homepoint.										
Maintenance for Halo Leased Properties	266,000				10	1,995	31,388	37,027	35,724	213,571
Funds to carry out backlog maintenance works to properties leased to Halo that are the Councils responsibility.										
Replacement Leominster Youth Centre	30,000	357,000	347,000	36,000	30	225	8,720	48,185	60,317	1,224,929
Through the refurbishment of a former D&T block on The Minster College site.										
Hereford City Shop Front Grants	30,000				25	225	1,776	2,552	2,494	39,983
To assist independent businesses in the current economic climate.										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Relocation of Hereford Retail Open Market	58,500				4	439	15,503	16,058	15,342	14,625
<div style="border: 1px solid black; padding: 5px;"> <p>To relocate Hereford Open Retail Market (held weekly on a Saturday & Wednesday) to the recommended site of Commercial Street & interface of St Peters Street with High Town.</p> </div>										
Hereford Academy	66,000	80,000	60,000		50	495	4,214	12,806	13,804	425,143
<div style="border: 1px solid black; padding: 5px;"> <p>The DCSF/PfS expect local authorities to determine and fund as necessary, the level of post contract award project management/clerk of works costs of Academy schemes.</p> </div>										
Self Service PC Booking System	39,000				5	293	8,424	8,947	8,564	15,982
<div style="border: 1px solid black; padding: 5px;"> <p>The purchase of new self-service PC booking & print management system for libraries and Info shops.</p> </div>										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Rotherwas Futures	1,160,000	346,000			25	8,700	75,592	128,809	125,857	2,035,896
Rotherwas estate development work, including infrastructure, re-roofing, land payment and road works.										
Buttermarket Project	50,000				25	375	2,960	4,254	4,156	66,638
Feasibility work to determine total project (and cost) following deterioration of structure of the building possibly leading to closure of outlet.										
Maintenance for Schools - Legionella Works	250,000				25	1,875	14,800	21,270	20,780	333,190
The carrying out of backlog maintenance works to schools within the county that are the Councils responsibility.										
Essential Maintenance to Corporate Buildings - Legionella Works	125,000				25	938	7,400	10,635	10,390	166,595
Carrying out of maintenance works to building fabric, mechanical & electrical installations in corporate buildings.										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Empty Property Activity	200,000				6	1,500	36,667	39,867	38,233	104,900
<div style="border: 1px solid black; padding: 5px;"> <p>The scheme is delivered in partnership with RSL partners to bring empty properties back into use primarily through leasing the property from the owner for a 6 year period.</p> </div>										
sub-total										
	3,681,500	858,000	407,000	36,000		27,613	292,238	456,646	458,992	6,622,836
<u>Revenue savings bid recommended for funding</u>										
Leisure Centre Plant & Equipment Renewal	111,000				4	833	29,415	30,470	29,110	27,750
<div style="border: 1px solid black; padding: 5px;"> <p>Planned and preventative maintenance at leisure centres.</p> </div>										
<u>Not recommended for funding</u>										
DDA Compliance Work	250,000				25	1,875	14,800	21,270	20,780	333,190
<div style="border: 1px solid black; padding: 5px;"> <p>To continue the present programme of upgrading the Council's corporate buildings to meet the requirements of the DDA legislation.</p> </div>										
Energy Conservation	110,000				10	825	12,980	15,312	14,773	88,319
<div style="border: 1px solid black; padding: 5px;"> <p>Heat conservation measures to improve the energy performance of the Council's building stock.</p> </div>										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Not recommended for funding</u>										
Small Holdings Maintenance Programme	300,000				25	2,250	17,760	25,524	24,936	399,828
Continuation of the capital improvement programme to improve the condition of the Smallholdings buildings and meet statutory obligations.										
Self Service Borrowing & Returns in Libraries	199,500				5	1,496	43,092	45,765	43,810	81,755
The scheme will provide self service issue, return & charges payment facilities in all libraries except Ross and Ledbury										
Essential Maintenance to Corporate Buildings	1,665,000				25	12,488	98,568	141,658	138,395	2,219,045
Carrying out of maintenance works to building fabric, mechanical & electrical installations in corporate buildings.										
Prospect Wall Ross on Wye	150,000				25	1,125	8,880	12,762	12,468	199,914
Expected additional costs to approved bid last year due to archaeological find whilst re-building the retaining wall										

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Not recommended for funding</u>										
Maintenance for Schools	642,500				25	4,819	38,036	54,664	53,405	856,298
<div style="border: 1px solid black; padding: 5px;"> <p>The carrying out of backlog maintenance works to schools within the county that are the Councils responsibility.</p> </div>										
Belmont Pools	41,900				25	314	2,480	3,565	3,483	55,843
<div style="border: 1px solid black; padding: 5px;"> <p>To support South Wye Regeneration Partnership in the purchase of Belmont Pools & the development of Haywood Country Park</p> </div>										
Refurbishment of Public Toilets	150,000	150,000			25	1,125	11,880	25,818	25,230	412,296
<div style="border: 1px solid black; padding: 5px;"> <p>Refurbishment of public toilets at Central toilets, Leominster; Red Meadow, Ross-on-Wye and Bromyard</p> </div>										
Improvements to County Record Office	114,035				25	855	6,751	9,702	9,479	151,981
<div style="border: 1px solid black; padding: 5px;"> <p>The current Record Office building is unsuitable as shown through the results of The National Archives inspection & annual self-assessments</p> </div>										