

DRAFT CAPITAL PROGRAMME 2008/09

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

21ST FEBRUARY 2008

Wards Affected

County-wide

Purpose

To propose the draft capital programme for 2008/09.

Key Decision

This is a Key Decision. Cabinet will confirm its capital budget recommendations to Council on 7th March 2008 at its meeting on 21st February 2008.

Recommendation(s)

- THAT (a) the funding available be noted;
- (b) the funding allocations to capital bids be endorsed;
- (c) the impact of capital spend on the replacement Social Care system (Core Logic) in 2008/09 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 funding notifications from central government for 2008/09 and subsequent years. A table showing the anticipated position for the next three years (taking into account 2007/08 slippage as reported in the November IPR) is detailed in **Appendix 1**. These indicative budgets include corporate accommodation forecasts as included in the Financial Resource Model (FRM) of £3.25m in 2008/09, £2.89m in 2009/10 and £8.6m in 2010/11.

2. Supported Capital Expenditure (Revenue) allocations for 2008/09 receiving Revenue Support Grant (RSG) support total £12.75m, split £2.373m towards children's services (compared to an indicative allocation of £1.5m for provisional budget setting processes) and £10.377m towards environmental services (compared to an indicative allocation of £8.023m for provisional budget setting processes).
3. The Council faces a number of uncertainties around future capital projects with the precise likely financial commitment being unknown. These areas include the Schools Review, office accommodation, the Master's House at Ledbury as well as Edgar Street Grid and the Livestock Market. It is for this reason that the Council needs to exercise caution when releasing funding for the capital programme. An additional area of uncertainty is the Council's claim under the Bellwin Scheme for the July floods. If any unfunded repair work is not supported by central government the Council will need to look at possible use of capital funding.

CAPITAL BIDS

4. Prudential borrowing commitments already allocated in previous years following the submission of successful capital bids totals £9.01m in 2008/09. The financing costs of existing allocations, including allocations previously committed to for future years, are included in the FRM along with a capacity for additional financing costs of £1m per annum. Capacity is also generated each year through slippage in capital schemes but this cannot be relied upon.
5. The current Financial Resources Model includes funding for the Core Logic capital programme of £508k in 2008/09. The overall capital requirement is £1.452m.
6. The total capital bids received are noted in **Appendix 2**. A total of 27 bids for £8.793m was received. Of these bids £665k is recommended to be funded through the capital receipt reserve and £1.015m through prudential borrowing. The prudential borrowing funded bids have future year commitments of £414k in 2009/10, £354k in 2010/11 and £354k in 2011/12. Bids of £839k are recommended to be funded through prudential borrowing from anticipated revenue savings and base budget. This leaves bids totalling £6.274m not recommended for funding at this stage.
7. Schemes recommended for funding by Prudential Borrowing are as follows:
 - a) Strangford landfill site
There is a legal requirement to assess the impact of the landfill site on groundwater. The scheme will provide groundwater monitoring boreholes.
 - b) Holmer School Flood alleviation
This will fund remedial works to the school to prevent a re-occurrence of the flooding problems experienced in July 2007.
 - c) Legionella prevention work
This scheme upgrades hot water installations to meet code of practice requirements in council owned buildings across the county.
 - d) Prospect Wall repairs
Part of the existing retaining wall between The Prospect in Ross-on-Wye and the adjacent graveyard has collapsed. A large section of the wall needs to be rebuilt.

- e) Sustrans Lottery Match Funding
This covers the estimated match funding needed for a walking and cycling route exploiting an existing bridge over the River Wye by the Welsh Water treatment works. The current scheme includes extending the route along the disused Hereford to Ross railway line between Rotherwas and Holme Lacy. There is a requirement to get clarity from Sustrans about the timing of funding and the £300k represents an estimate of the 2008/09 requirement.
8. Schemes recommended for funding through Right to Buy Capital Receipts Reserve are as follows:
- a) Disabled Facilities Grant
This is to fund adaptations to clients' homes in order to facilitate independent living. There is a direct link with the independent living agenda and helps reduce pressure on the adult social care budget. The funding contributes towards matched grant funding.
 - b) Empty Property Scheme
This will bring empty properties back into use and tackles homelessness and reduces the use of B & B accommodation for homeless families. The funding assists the Registered Social Landlord (RSL) (together with their own funding) to bring a property up to a lettable standard.
 - c) Sold/Own Home
This scheme assists people with mental health and learning disabilities to purchase their own homes through shared ownership. The scheme is operated through an RSL partner.
9. Directorates have been encouraged to bring forward schemes that can be funded by revenue savings or budget to make the prudential borrowing repayments. The following fall into this category:
- a) Development of Specialised AWLD Day opportunities
A scheme funded by £40k annual savings. Savings need to be signed off, but once this is confirmed the scheme could proceed.
 - b) Development of Community Support Centres
A scheme funded by £65k annual savings. Scheme rises to £100k in 2009/10. Savings need to be signed off, but once confirmed the scheme could proceed.
 - c) Server virtualisation
This scheme can be funded by the additional resources for the ICT Strategy built in to the financial model. The scheme is one of the 'top 10' projects identified by ICT.
 - d) Salix funded Schemes
The Council has been awarded £100k towards carbon reduction works. This grant is based on match funding of £100k from the Council. The £200k is then 'lent' to the relevant properties and paid back. The ability to fund repayments needs to be signed off.

10. A capital bid was submitted for the Ledbury Centre at Masters House however due to the uncertainty surrounding any external funding available and the requirement to fund other options this bid has not been recommended at this stage.
11. The funding of the temporary Bailey Bridge at Colwall has been secured using £450k of the Council's Local Transport Plan allocation. The benefit of using this source is that it gives funding certainty. However, it is clear that the use of this source will mean less funds being available for maintenance of bridges across the county. A capital bid to backfill the use of the £450k was not agreed because other projects did not have access to any alternative funding sources and in some cases match funding was needed.
12. Other bids were brought forward at this stage including improvements to High Town. It was not possible to put this forward at this stage because of affordability in 2008/09 and a need to assess consistency of the scheme in the context of the Edgar Street Grid.
13. The council has or will have access to developers' contributions for schemes over the coming year. This includes the provision of youth facilities in Leominster for which £250k will be available if the relevant "trigger" point is reached. There is also £250k for a replacement playing pitch at Aylestone Park that is likely to be available in 2008/09.

CAPITAL RECEIPTS RESERVE POSITION

14. The capital receipts reserve totalled £22.426m as at 1st April, 2007. Receipts of £1.8m have been received to date in 2007/08 and expected capital receipt reserve spending in 2007/08 totals £7.104m leaving a balance of £17.122m to be carried forward into 2008/09. This may change if additional receipts arise before 31st March.
15. Capital receipts reserve funding of £10.108m has been committed to fund the 2008/09 capital programme however additional capital receipts from the sale of smallholdings and the old Whitecross High School site are expected.

Risk Management

The risks associated with proceeding or not with each bid need to be considered on an individual basis.

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

Appendices

- Appendix 1 Medium Term Capital Plan
- Appendix 2 Summary of 2008/09 Prudential Borrowing bids

Background Papers

- Medium term Financial Management Strategy
- Capital strategy

Consultees

None identified

APPENDIX 1

MEDIUM-TERM CAPITAL PLAN

	2007/08	2008/09	2009/10	2010/11
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children and Young People's Services	12,235	15,380	30,120	26,354
Resources	1,966	4,436	2,890	8,600
Corporate and Customer Services	322	669	-	-
Adult and Community Services	10,135	15,794	3,005	844
Environment Services	27,566	16,369	12,847	13,266
Herefordshire Connects	944	508	-	-
	53,168	53,156	48,862	49,064
Funded by:				
Supported Capital Expenditure (Revenue)	9,963	12,750	12,695	13,814
Prudential Code Borrowing	9,296	10,866	3,354	8,640
Capital Receipts Reserve	7,104	10,108	1,858	300
Revenue Contribution	161	170	-	-
Government Grants & Contributions	26,644	19,262	30,955	26,310
	53,168	53,156	48,862	49,064

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
every year.										
Legionella Upgrade Works	80,000				15	3,600	8,693	8,453	8,213	79,840
Upgrading of hot water installations to meet Code of Practice requirements are being undertaken in council owned buildings and across the county. A number of poor installations have been identified which could result in a Legionella problem.										
The Prospect Wall, Ross on Wye	380,000	20,000			25	17,100	32,516	32,596	31,876	519,912
Part of the existing retaining wall between The Prospect and the adjacent graveyard has collapsed. A survey by a structural engineer has identified the need to rebuild a large section of the wall.										
Sustran Lottery Match Funding	300,000	393,550	353,550	353,550	25	13,500	42,670	74,873	106,368	2,109,485

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
A walking & cycling route with radial links exploiting an existing bridge over the River Wye by the Welsh Water treatment works & the disused Hereford – Ross line between Rotherwas & Holme Lacy. It is supported by the Rotherwas Travel plan and envisaged in the UDP. There are revenue implications.	1,015,000	413,550	353,550	353,550		45,675	108,820	140,228	170,129	3,007,082

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £

Recommended to be funded by revenue savings

Development of Specialised AWLD Day Opportunities	296,000				25	13,320	24,627	24,094	23,562	383,557
Provide & improve appropriate workforce training & skills development. Help to improve the quality of health & social care for vulnerable adults. There are revenue implications.										
Development of Community Support Centres	30,000	100,000	100,000	100,000	1	30,000	100,000	100,000	100,000	-
To provide a wide range of re-ablement, therapy & social facilities, it is an integral part of the Target Operating Model for Adult Social Care. In turn this is a key component of the overall Hfds Connects Transformation Programme. There will be revenue implications.										
Server Virtualisation	412,862				5	18,579	97,435	93,720	90,004	168,861

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Most of the Council's servers are over 5 years old and are difficult to replace and expensive to maintain. Server virtualisation allows virtual servers to be run on a pool of physical computer servers with no loss of functionality or speed. There will be revenue implications.										
Salix Funding	100,000				5	4,500	23,600	22,700	21,800	40,900
The council has been awarded £100,000 towards reduction works. This grant is based upon £100,000 coming from the council. The £200,000 is then lent to properties and paid back over a 5-year period.										
	838,862	100,000	100,000	100,000		66,399	245,662	240,514	235,366	593,318

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Self Service PC Booking System	34,000				5	1,530	8,024	7,718	7,412	13,906
The purchase of new self-service PC booking system for libraries & info shops. Will reduce the amount of paper used in printing and so contribute to a sustainable service. Current system requires excessive amount of ICT support. No traceable booking in info shops. No GEM benefits.										
Networking of Old House & Ross Heritage Centre	11,876				5	534	2,803	2,696	2,589	4,857
A number of Heritage Services sites remain remote from the council network, Old House, Ledbury Heritage Centre & Ross Heritage Centre, the lack of network access is becoming a problem. There will be revenue support costs.										
Transfer of TICs to	40,000	63,000			25	1,800	6,163	8,498	8,312	138,482

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
be needed to ensure the property does not stay empty.										
LCHO	2,220,000	2,560,000	2,780,000		1	2,220,000	2,560,000	2,780,000		
Scheme includes DIY Ownership, Festival Property Purchase and Mortgage Rescue all schemes assisting those with housing needs to either gain a foot on the housing ladder or retain their existing accommodation. DIYSO and FFP provide grant funding through a RSL partner. Those assisted are registered with Home Point as being in Housing needs and are unable to access the open market without grant assistance. The 3 schemes together could potentially assist 29 households.										
Building Energy Management Out Stations	288,000				15	12,960	31,296	30,432	29,568	287,424

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
estate. The work includes electrical re-wiring, re-roofing, replacement windows and heating.										
Hereford Art Gallery	8,000				N/A					N/A
Creation of a small exhibition space within the Art Gallery at Hereford Museum & Art Gallery to display the works of Brian Hatton, the reputation of the gallery is at risk without the possibility of loans of major works.										
Broad St Library	130,000				N/A					N/A
Essential maintenance works to a Grade II listed building involving repairs to coping stones, corbel brickwork and lead valley areas.										
Total of Bids not Recommended	6,274,060	4,623,000	4,095,000	0		3,821,972	3,367,936	3,757,958	756,648	6,842,394
TOTAL BIDS RECEIVED	8,792,922	5,136,550	4,548,550	453,550		3,934,046	3,722,418	4,138,700	1,162,143	10,442,794