

Eden District Council

Executive

9 December 2008

Capital Programme 2008-2013: Draft Budget Proposal

Report of the Director of Finance

1 Purpose of the Report

- 1.1 The purpose of this report is for Members to consider and approve the Council's draft Capital Programme for 2008-13. It also identifies total capital resources available and covers funding in future years.

2 Background to the Report

- 2.1 The Council prepares its Capital Programme on an annual basis. The draft programme is detailed at Appendix A. Programmes for each portfolio have been considered by Portfolio Holders in advance of submission to the Executive. These are based on existing commitments.
- 2.2 The Council's Capital Strategy sets out the framework for capital expenditure. The approach to prioritisation within the Capital Strategy is set out at Appendix B. This should be read in conjunction with the agreed Council priorities, which are set out at Appendix C.
- 2.3 This report was finalised before Council considered a land management proposal at its meeting on 27 November 2008. If this is agreed, the cost of the scheme and the associated borrowing will need to be included in the Capital Programme.

3 Policy Framework

- 3.1 The Council has four corporate priorities which are:

- Affordable Housing
- Quality Environment
- Economic Vitality
- Quality Council

Council, on 7 February 2008, agreed fifteen strategic actions to achieve these priorities.

- 3.2 The Capital Programme is agreed by Council and forms part of the Council's Policy and Budget Framework.
- 3.3 The Capital Strategy sets out the framework within which the Capital Programme is set, and, in particular, ensures that agreed capital expenditure is in accordance with the Council's Resource Allocation Categories.

4 Available Resources

Borrowing and Specified Capital Grants

- 4.1 Local authority borrowing is controlled by the framework established by the Prudential Code of Capital Accounting for Local Authorities. As part of this, authorities are required to prepare a suite of indicators and submit them to Members for their approval. The purpose of this capital regime is to make affordability the main determinant of borrowing for each council. These will be considered by Council on 12 February 2009.

For planning purposes, it has been assumed that no borrowing will be undertaken, as capital receipts can fund the current Capital Programme. When capital receipts are fully committed, a detailed business case will have to be undertaken to identify if borrowing can be justified within the framework of the Prudential Code.

The only exception to this is the approval to borrow for a land management proposal. This is being considered at Council on 27 November 2008. Borrowing is recommended on the basis that anticipated revenue would more than meet the costs of the scheme, including the related debt charges.

- 4.2 Funding for Mandatory Disabled Facilities Grants is expected to be £108,000 for 2009-10.

Capital Receipts

- 4.3 In 2009-10, these will be derived from the following sources:
- (a) The usable receipts in hand at 1 April 2009 comprises usable receipts arising during previous years which were not used at the commencement of the year. These can be carried forward and used in the following years.
 - (b) Receipts arising during the year are, in most cases, 100% usable. Any other land sales during the year can also be applied in this way. This only includes any completed sales. No sales are budgeted for.

Revenue Contributions

- 4.4 No revenue contribution is planned for 2009-10.

Capital Grants

- 4.5 Capital grants (other than for Mandatory Renovation Grants: see section 4 above) receivable are estimated at £386,000 in 2008-11 as follows:

	2008-9 £'000	2009-10 £'000	2010-11 £'000
Planning Delivery Grant	103	0	0
Alston Moor Partnership	37	0	0
Children's Play Programme	107	57	82
	<u>247</u>	<u>57</u>	<u>82</u>

5 Proposed Programme 2008-13

- 5.1 The draft Programme, shown at Appendix A, includes those schemes which are committed, where budget allocations were previously agreed and the ongoing housing grants programme. The following table gives an estimate of the resources available to the Council in the years 2008-9 to 2012-13.

	£'000
Usable Capital Receipts	2,573
Mandatory Disabled Facilities Grants	588
Capital Grants	386
Housing Single Capital Pot Allocation	<u>238</u>
	<u>3,785</u>

- * Housing Single Capital Pot Allocation is only included for 2008-9. At this stage, £155,000 funding is expected in 2009-10. Should funding be granted, this will be included in the programme though separate reports will be submitted to Members to commit this to particular schemes.

The estimate of available resources excludes expected capital receipts. Only receipts actually received have been included to show the prudence required by the Balancing the Budget exercise. Anticipated receipts between 2008 and 2013 are about £700,000 from Eden Business Park, but these cannot be guaranteed, especially in the current economic situation. Indeed, several bids for land have recently been withdrawn.

Committed capital monies are made up as follows:

	£'000
Total Available Resources	3,785
Less: Draft Programme	<u>4,661</u>
Shortfall of Funding	<u>876</u>

It is proposed to reduce the over-commitment by taking the following schemes out of the programme:

- the Capital Regeneration Fund: £111,000 – this is uncommitted and no potential projects have been identified;

- the depot scheme: £205,000 – whilst at some point the contamination issues at the site will need to be addressed at this time, there is no particular scheme in mind.

This would reduce the over-commitment to £560,000.

This level of over-commitment is not unreasonable, given that the sale of the final tranche of Eden Business Park should realise some £700,000 over 2008 to 2010. However, the current economic downturn may delay such sales.

- 5.2 The following schemes have been recommended for inclusion in the final programme by the relevant Portfolio Holder:

	£'000	Year	Portfolio	Resource Allocation Category	Note
Recycling Bring Sites	31	2009-10	Environment	B	1
Recycling Wheeled Bins	26	2009-10	Environment	B	2
Mandatory Renovation Grants	28	2009-10	Housing	A	3
	85				

Notes

1. This provides a further year's funding for the purchase of bring site containers. This will help the Council to meet the Government set recycling targets. It will also help the Council to defend any challenge under the Household Waste Recycling Act 2003 that it is not providing full kerbside collection coverage.
2. There is a revenue growth item for the extension of the kerbside collection scheme. This is the cost of the wheeled bins that would be required.
3. Demand for Mandatory Renovation Grants is expected to exceed current budget provision. This is the net cost of grant expenditure of £70,000, subject to a grant bid for the balance.

6 Legal Implications

- 6.1 None.

7 Financial Implications

- 7.1 The Council has agreed an action plan to carry through the Balancing the Budget exercise. A key part of this is the Resource Allocation Categorisation, which is designed to ensure that resource allocation reflects the Council's priorities. The full categorisation was agreed at Council on 7 February 2008 and the financial implications of any report must be consistent with this.

8 Risk Management Implications

- 8.1 It is important that the Council prepares and closely monitors its Capital Programme. Failure to properly monitor could lead to capital funding being over-committed to an unsuitable level. In such a position, the Council would have to either borrow, or use revenue balances. A quarterly Capital Projects Monitoring report is presented to Management Team, the Executive and the Performance Panel.

9 Recommendations

It is recommended that:

- (a) the draft Capital Programme, shown at Appendix A, be agreed; and
- (b) schemes set out at paragraph 5.2 be considered for inclusion in the Capital Programme.

D J Rawsthorn
Director of Finance

See end of document (page 17) for agreed Executive recommendation

Governance Checks:

Seen by Chief Finance Officer	✓
Seen by Monitoring Officer	✓

Background Papers:

Capital Programme working papers 2008-9
Capital Programme working papers 2009-10
Report F81/08
Statement of Accounts 2007-8
Capital Strategy F75/08

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Summary – Capital Programme

Portfolio	Total Cost					
	2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Environment and Sustainability	230	229	1	0	0	0
Economy	800	604	69	62	58	7
Housing	2,695	755	485	485	485	485
Community	650	424	144	82	0	0
Resources	286	286	0	0	0	0
Total Capital Programme	4,661	2,298	699	629	543	492

Environment and Sustainability- Capital Programme

Committed Schemes	Total Cost						Corporate Priority	Note
	2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000		
East Cumbria Countryside Project, Project Funding	52	52	0	0	0	0	B3	1
Recycling – Bring Sites	35	35	0	0	0	0	B1	2
Fairhill Car Park, Alston	40	39	1	0	0	0	C4	3
Planning Delivery Grant, Funded Items	103	103	0	0	0	0	B2	
	230	229	1	0	0	0		

Notes

1. East Cumbria Countryside Project (ECCP) was created in 1985 as a partnership between Carlisle City Council, Eden District Council and Cumbria County Council. The Executive decided on 12 August 2008 to terminate the Council's commitment to the partnership.
2. The provision is for the Council to achieve Government recycling targets and provides for future development of refuse and recycling services.
3. Construction costs to develop off-street car parking at Fairhill, Alston.
4. The Planning Delivery Grant capital programme was approved by Council on 25 October 2007.

Economy – Capital Programme

Committed Schemes	Total Cost						Corporate Priority	Note
	2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000		
Development of Gilwilly Industrial Estate Improvement	242	242	0	0	0	0	C3	1
Eden Business Park – Additional Access Road	74	65	9	0	0	0	C3	2
Capital Regeneration Fund	111	111	0	0	0	0	C2	3
Kirkby Stephen TIC Maintenance Programme	11	11	0	0	0	0	C1	
Disability Discrimination Act Requirements Penrith Museum	18	18	0	0	0	0	C1	4
Future Extension to Gilwilly Industrial Estate Feasibility	60	60	0	0	0	0	C3	5
Market Stall Replacement	3	3	0	0	0	0	C3	
Penrith New Squares	244	57	60	62	58	7	C3	6
Alston Moor Partnership	37	37	0	0	0	0	C4	
	800	604	69	62	58	7		

Notes

1. This is to complete final road surfacing works at Eden Business Park.
2. The provision arises from the sale of land at Eden Business Park. The additional access road provision was a sale condition and was set against the capital receipt.
3. Report PP47/05 set out the case for a regeneration fund to enable the Council to maximise access to external funding for economic regeneration in the district. A loan was provided to Appleby Heritage Centre that was repaid on 31 March 2008.
4. These works were approved by Members on 2 December 2004.
5. The study supports the Council's Corporate Priority of Economic Vitality.
6. This is the costs of consultants and professional advice in connection with the scheme.

Housing – Capital Programme

Committed Schemes	Total Cost						Corporate Priority	Note
	2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000		
Mandatory Renovation Grants	1,018	298	180	180	180	180	A3	1
Discretionary Renovation Grants	1,439	219	305	305	305	305	A3	1
Single Capital Pot 2008-9	238	238	0	0	0	0	A3	2
	2,695	755	485	485	485	485		

Notes

1. Provision of grants at this level is a key element of the Council's Housing Strategy. £70,000 has been vired from discretionary to mandatory grants in 2008-9. A successful bid for Government funding has gained £48,000 of extra grant for 2008-9.
2. Schemes are funded from the Housing Capital Allocation received from the Regional Housing Board. The initiatives funded were approved on 17 July 2008 by the Housing Portfolio Holder.

Community – Capital Programme

Committed Schemes	Total Cost						Corporate Notes Priority
	2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000	
Frenchfield Sports Complex	47	0	47	0	0	0	1
Penrith Cemetery Extension	21	21	0	0	0	0	
Coronation Gardens, Penrith	10	0	10	0	0	0	2
Penrith Leisure Centre	28	0	28	0	0	0	
Skate Park, Penrith Leisure Centre	15	15	0	0	0	0	
Building Maintenance Programme – Penrith Cemetery Store	11	11	0	0	0	0	
Building Maintenance Programme – Penrith Museum	15	15	0	0	0	0	
Disability Discrimination Act Requirements – Penrith Museum	18	18	0	0	0	0	3
Disability Discrimination Act Requirements – Cemeteries	17	17	0	0	0	0	3
Penrith Cemetery Lodge	10	10	0	0	0	0	4
Castle Park Improvement	20	20	0	0	0	0	5
Children’s Play Programme	246	107	57	82	0	0	6
Shap Public Conveniences	93	91	2	0	0	0	
Appleby Shire Hall Public Conveniences	50	50	0	0	0	0	
Transfer Costs - Public Conveniences	49	49	0	0	0	0	
	650	424	144	82	0	0	

Notes

1. This is provision for final snagging works at the site and retention due in the contract.
2. Since original approval in 2004, this scheme has been delayed, as third parties involved have had difficulty in securing funding.
3. These works were approved by Members on 2 December 2004.

4. The scheme is to provide accommodation and electricity supply for the Council's contractor's staff at Penrith Cemetery.
5. The scheme is to remove Castle Park paddling pool and improve access to the bandstand. This is to address health and safety issues reported to Members on 1 November 2007.
6. The programme is fully grant funded by the Big Lottery Fund.

Resources – Capital Programme

Committed Schemes	Total Cost 2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000	Corporate Priority	Note
Building Maintenance Programme – Town Hall	34	34	0	0	0	0	D1	
Air Conditioning to IT Server Room	4	4	0	0	0	0	D1	
Disability Discrimination Act Requirements, Town Hall and Mansion House	28	28	0	0	0	0	D1	
Contact Eden	15	15	0	0	0	0	D1	
Council Depot	205	205	0	0	0	0	B2	1
	286	286	0	0	0	0		

Notes

- The provision is retained to allow the Council to consider relocation of the Depot to facilitate changes to car parking that may be required as the New Squares development in Penrith progresses.

Proposed New Schemes

	Total Cost 2008-13 £'000	2008-9 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000	Resource Allocation Category	Note
Environment and Sustainability								
Recycling Bring Sites	31	0	31	0	0	0	B	1
Extension of Kerbside Garden Waste Collection	26	0	26	0	0	0	B	2
Housing								
Mandatory Renovation Grants: Expenditure	70	0	70	0	0	0	A	3
Assumed Grant	42		42	0	0	0	A	3
Total net Growth	85	0	85	0	0	0		

Notes

1. The provision is for the Council to achieve Government recycling targets and provides for future development of refuse and recycling services.
2. This is provision to purchase wheeled bins for the extension to the Council's kerbside garden waste scheme, which is a growth item.
3. Demand for Disabled Facilities Grants is expected to exceed current budget provision. The Council received a top slice allocation of £48,000 for 2008-9 and a virement from discretionary grants has been made to allow this to be used. A bid has been submitted to CLG to allow £250,000 of spending on this from 2009-10. If the bid is unsuccessful, no further commitment will be made.

Approach to Prioritisation

Given the limited nature of future resources, it is essential that scarce capital resources are committed on a clearly prioritised basis. The agreed approach is:

- (a) no new schemes will be considered by the Executive until the annual estimate cycle. The only exception relates to emergency schemes. To classify as an emergency the scheme must be needed urgently for health and safety reasons, or to prevent significant deterioration of a Council asset;
- (b) any virement from the agreed Capital Programme must be subject to the Executive's approval;
- (c) all new schemes recommended by a portfolio holder will be assessed in the light of the agreed Resource Allocation Categorisation procedure which is as follows;

<p>Resource Allocation Category A:</p> <p>Services which are corporate priority and where significant performance increase is required.</p>	<p>Investment will be made to improve performance and would be the top priority for use of Council funding.</p>
<p>Resource Allocation Category B:</p> <p>Services which are a corporate priority and where modest but consistent improvement is required.</p>	<p>Investment will be made either:</p> <ul style="list-style-type: none"> (i) to make modest improvements to existing performance; or (ii) on an 'invest to save' basis to improve performance related to a business case; or (iii) where new legislation/standards are imposed.
<p>Resource Allocation Category M:</p> <p>Services which are mainly statutory, or quasi statutory, but are non-corporate priorities where the Council seeks to maintain current service standards, or statutory requirements.</p>	<p>Investment will be made only when required, due to legislation, secured via efficiencies, or from external sources (with no ongoing revenue cost).</p>

<p>Resource Allocation Category Z:</p> <p>Services which do not fall substantially within a corporate priority and in which the services/resources may be retained at current level or reduced.</p>	<p>Investment will only be made via external funding (with no ongoing revenue cost). Resources may be reduced via service standard reduction, or cessation.</p>
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- (d) In considering what new schemes to fund in setting the Capital Programme each year, the Executive will need to:
- decide on the maximum amount of uncommitted monies to allocate
 - allocate this agreed money, in accordance with Council priorities and the Resource Allocation Categorisation, giving a clear justification of the choice of projects.

The Council's Priorities

Corporate Priority	Strategic Action
Affordable Housing	A1 Increase housing availability and affordability
	A2 Meet current and future housing needs
	A3 Support standards for decent homes
Quality Environment	B1 Manage waste effectively
	B2 Ensure a well balanced spatial planning framework
	B3 Support the Clean and Green agenda
Economic Vitality	C1 Promote tourism
	C2 Focus on the quality and range of jobs
	C3 Support the vitality of Penrith
	C4 Support rural communities
Quality Council	D1 Deliver statutory/core services to agreed standards
	D2 Focus on customers and communication
	D3 Define and deliver 'equitable access' to meet equality and diversity requirements
	D4 Deliver sound financial management
	D5 Ensure staff and Members are well trained and understand their roles within the organisation

Agreed Executive Recommendation

The draft Capital Programme for 2008-13 for consultation purposes was agreed as per the report recommendation, except for the following amendment;

- Deletion of the following schemes:
 - ▷ Capital regeneration fund - £111,000 budget
 - ▷ Depot scheme - £205,000 budget

- Addition of the following schemes:
 - ▷ Recycling bring sites - £31,000 budget
 - ▷ Mandatory renovation grants - £28,000 budget