

WILTSHIRE COUNCIL

CABINET

11 FEBRUARY 2010

CAPITAL PROGRAMME PROPOSALS 2010-11 TO 2012-13

Executive Summary

This report proposes a Capital Programme for 2010-11 to 2012-13 of £285.638 million.

Cabinet needs to consider the Capital Programme proposals and make appropriate recommendations to Council on 23 February 2010.

Proposals

1. That Cabinet make the following recommendations to Council on 23 February 2010.
 - a) To approve the proposals for the Wiltshire Council Capital Programme for 2010-11 to 2012-13 as shown in Appendix B.
 - b) To approve the use of additional borrowing of £20.617 million in 2010-11 and £53.164 million over the three years.

Reasons for Proposals

The Cabinet needs to make the proposals to Council in order to:

- a) Enable the Council to set the Capital Programme for 2010-11 to 2012-13.
- b) Enable Council to ratify the level of additional borrowing.

Martin Donovan
Chief Financial Officer

WILTSHIRE COUNCIL

CABINET

11 FEBRUARY 2010

CAPITAL PROGRAMME PROPOSALS 2010-11 TO 2012-13

Purpose of Report

1. To present a proposed capital programme for Wiltshire Council for 2010-11 to 2012-13.

Background

2. Following the creation of the new Wiltshire Council on 1 April 2009, the setting of the capital budget for the next three years is clearly of strategic importance to the organisation.
3. The overall challenging state of public sector funding is well documented and while levels of Government Grant for 2010-11 are unlikely to change, the position for both 2011-12 and 2012-13 is less certain. Further, both Developer Contributions and Capital Receipts are important sources of funding and these have been impacted upon significantly by the economic downturn.

Preparation of Capital Programme

4. A base position for 2010-11 and beyond was available from the capital budget agreed by the Implementation Executive and Wiltshire County Council in February 2009. This is shown in Appendix A.
5. In preparing the Capital Programme, capital was defined in accordance with the Statement of Recommended Practice (SORP). The definition of Capital expenditure is "Expenditure on the acquisition, creation or enhancement of a fixed asset." In general it is fairly clear what is defined as capital though there are shades of grey regarding certain aspects which were clarified where necessary during this process.
6. Further new and additional projects across the Council were identified as part of preparing the new Capital Programme. A project appraisal form was used to evaluate projects using the following criteria: contribution to the Council's strategic objectives, service standards, planning and performance, risk and revenue implications. This evaluation allowed for the appropriate ranking of projects.
7. Property maintenance requirements were assessed against a number of criteria including health and safety and the risk of disruption to the service.

Funding of the Capital Programme

8. Funding of the Capital Programme is available from seven major sources
- a. Capital Grants
 - b. Third Party contributions (including Developers contributions)
 - c. Available Capital Receipts
 - d. Revenue resources
 - e. Supported Borrowing
 - f. Unsupported Borrowing
 - g. Housing Revenue Account (HRA)- Major Repairs Allowance (MRA)

The table below summarises the source of funding for the capital base position before new schemes are approved.

	2010-11	2011-12	2012-13	TOTAL
	£000	£000	£000	£000
Grant/Developer Funded	60,464	32,050	18,531	111,045
Capital Receipts	16,526	1,774	0	18,300
Revenue Funding	2,268	1,265	0	3,533
Supported Borrowing	19,897	19,948	0	39,845
Unsupported Borrowing	13,457	24,672	8,583	46,712
HRA – MRR	3,500	3,600	3,600	10,700
TOTAL	116,112	83,309	30,714	230,135

Capital Grants

9. Government Grants are available to fund a range of projects. The largest of these grant allocations relate to Education and Transport. There are a number of Education grant allocations, the majority of which relate to schools. The grant settlements were allocated by the Department of Children, Schools and Families (DCSF) in late 2007 to cover the three years 2008-09 to 2010-11. Reasonable estimates of the allocations for 2011-12 and 2012-13 have been undertaken by officers based on the latest information available.
10. The availability of Grants for Transport is much more limited. The Local Transport Plan (LTP) 3 year settlement, again up to March 2011, managed by the Department of Transport, dictates the extent of Government “allocations” but the vast majority of this is in the form of Supported Borrowing. As with the Education allocations, estimates have been made for 2011-12 and 2012-13.

Third Party Contributions

11. These arise from a number of sources, e.g. developers contributing towards new schools or school extensions and infrastructure arising from planning requirements. They can also arise from voluntary sector organisations supporting service development. A large number of such contributions are described as Section 106 contributions which the Council has to monitor closely due to associated legal requirements.

Capital Receipts

12. An estimate of capital receipts has been made for the next three financial years. Receipts have been appraised based on a detailed analysis by strategic property services and the central finance team. This has then been incorporated into the model which details the financing of the overall capital programme. It should be noted that Cabinet has recently approved policies in relation to consulting Area Boards on the disposal of Council's assets, giving local communities an opportunity to propose alternative use of assets earmarked for disposal. It should be noted that in some cases, any approval of an alternative use of these assets may reduce the Projected Capital receipt.
13. The new Wiltshire Council inherited approximately £18 million of useable capital receipts from predecessor authorities but it is expected that all of this will be applied against capital expenditure during the 2009-10 financial year.

Revenue Resources

14. Revenue resources can be made available as a contribution to assist with funding of the capital programme.

Supported Borrowing

15. Supported Borrowing has no cash value to Wiltshire Council due to the Council's position as a "floor" authority. Due to the funding mechanism it is no longer possible to see supported borrowing as a direct transfer of cash into Revenue Support Grant (RSG). The council is notified of the amount of borrowing being supported in a similar way to a grant announcement.
16. In previous years, Wiltshire County Council has funded most of the Supported Borrowing allocations though in the 2009-10 process such allocations were prioritised using the same methodology as unsupported schemes. The 2009-10 approach has been maintained for the 2010-11 budget process.
17. As indicated above in the Grants section, the vast majority of Local Transport Plan (LTP) expenditure is funded from Supported Borrowing. In the 2009-10 process, members voted to fund all of the LTP allocation in 2009-10 but the proposed allocations for 2010-11 and 2011-12 were lower. These were based on grant funding only for integrated transport and for highways maintenance were based on the amount required to prevent the overall condition of the highway infrastructure from deterioration.

Unsupported Borrowing

18. The Prudential code of Local Authority Accounting has existed since 2004 and allows Local Authorities more flexibility in borrowing including setting their own borrowing limit. This allows for a reasonable degree of unsupported borrowing within the context of affordable, prudent and sustainable capital investment plans. To demonstrate that authorities have fulfilled these objectives, the prudential code sets out the indicators that must be used and the factors that must be taken into account when calculating the indicators. This is covered in the separate report on Treasury Management Strategy.

Housing Revenue Account

19. The HRA is a ring fenced account which is treated separately. Capital Resources are allocated from the Major Repairs Reserve (MRR) (part of the Government's Housing subsidy regime) to facilitate expenditure on improving the condition of the Council's housing stock. The Salisbury area is the only part of the new Wiltshire Council which has retained its own housing stock.
20. In addition to the MRR, two successful bids for new build housing have been granted by the Homes and Communities Agency (HCA). This has attracted £4.3 million of grant funding in total for the years 2010-11 and 2011-12 which has been supplemented by other funding sources as shown in Appendix A.

Capital Programme 2010-11 to 2012-13

21. The proposed Capital Programme is both significant in total spending levels and in the number of large and high profile projects. A number of schemes for the 2010-11 and 2011-12 financial year have already been approved as part of the 2009-10 capital programme setting process.
22. Appendix A summarises the approved programme and the funding that would be used to support it. For 2012-13 grant funded and other approved changes have also been incorporated into this schedule.
23. The Construction of the new Wellington Academy has been approved by Partnerships for Schools (PfS) working in conjunction with the Department of Children, Schools and Families (DCSF). The core elements of the scheme are grant funded by PfS. Non core elements including off site works have been funded from Wiltshire Council's own resources.
24. The Salisbury Academy has recently gained the appropriate Expression of Interest (EoI) sign off from the DCSF and the scheme is now in its feasibility stage. Successful progression is dependant on a number of factors but in this event all of the core construction costs will be funded from DCSF grant. There are certain non core elements, including some professional fees and sprinklers which will not be grant funded by the DCSF and provision for these costs has been made within the commitments section of Appendix A.

25. There have been a number of challenges with the proposed Laverstock Academy and this will no longer be progressing. All costs relating to Laverstock have been removed from the appendices.

New Schemes for Prioritisation and Approval

26. The prioritised schemes are shown in Appendix B as follows:

- Priority A – essential health & safety and must prioritised.
- Priority B – essential service delivery.
- Priority C – high priority service improvements
- Priority D – lower priority service improvements.

27. Any new scheme in 2010-11 and 2011-12 will have to be funded from additional unsupported borrowing. A line of ‘affordability’ has been drawn on Appendix B. This represents the level to which the cost of funding those capital projects above the line has been factored into revenue budget proposals. Any changes or additions to this level would have to be reflected in the revenue proposals, a rule of thumb would be approximately £1 million of additional capital expenditure, equates to £100,000 revenue financing costs

28. The table below shows a summary of the already approved schemes, as per Appendix A, and the prioritised new schemes that are funded above the line, as per Appendix B.

		2010-11 £000	2011-12 £000	2012-13 £000	TOTAL £000
APPENDIX A	APPROVED SCHEMES	105,260	78,237	27,114	210,611
	HRA	10,852	5,072	3,600	19,524
APPENDIX B	NEW SCHEMES	20,925	9,852	24,726	55,503
TOTAL		137,037	93,161	55,440	285,638

29. For Highways & Transport (non LTP as well as LTP elements) the proposed capital programme provides an increase in highways maintenance expenditure in 2010-11 compared to 2009-10. Appendix C demonstrates that overall the level of funding for those capital budgets has increased by nearly £200,000. Therefore, the requisite schemes have been included “above the line” in Appendix B.

30. A new scheme entitled Corporate Carbon Reduction Programme has been submitted. This needs to be considered in conjunction with SALIX Funding. Salix is a not-for-profit company funded by the Carbon Trust to work with the public sector to reduce carbon emissions through investment in energy efficiency technologies. Officers are currently in the process of applying for appropriate sources of funding.

31. It should be noted that there is a total of £3 million for the Salisbury Vision. This is comprised of unsupported borrowing of £750,000 in 2010-11 together with £750,000 unsupported borrowing that will be rolled forward from 2009-10. There are also amounts of £750,000 in the 2010-11 and 2011-12 financial years funded from within the LTP arrangements.

Workplace Transformation Programme (WTP)

32. A detailed report was taken to Cabinet in October 2009 describing the strategy relating to core office buildings and describing how a significant amount of short and medium term capital investment would lead to medium and long term revenue savings. An estimated amount of £17.558 million of capital receipts from the sale of surplus buildings is planned to occur in 2012-13 and this will in part fund the capital programme. The report was approved by Cabinet and the figures have been incorporated into the commitments section of Appendix A. Previous related headings for Bourne Hill, Salisbury and Hubs Strategy have been removed from the schedules as these have now been entirely superseded by the WTP.
33. A further report went to Cabinet on 15 December 2009 looking at service areas where investment would be beneficial, namely around Children and Families Resource Centres, Learning Disability Community Centres, Dementia cafes, Children's homes complex needs, children's homes autistic spectrum disorder and children and families 16 plus towpath.
34. This report was approved by Cabinet adding further expenditure of £10.4 million, subject to prioritisation as part of the capital budget, and this has been included in Appendix B.
35. Following the Cabinet report in December the Workplace Transformation Board will be required to provide to Cabinet quarterly updates, in addition to the regular monthly budget monitoring, on the progress of the total budget for WTP scheme which, subject to approval in this report, will total £67.377 million over the 3 years.
36. A scheme for Learning Difficulties Best Value has been removed from the budget schedules as this has now been included within the WTP project.

Risk Assessment

37. The programme includes a number of large projects which often have complex and uncertain funding and assumptions. With limited resources, the ability to meet the costs of risks as they materialise and maintain other elements of the programme becomes a severe challenge.
38. Members could reduce the proposed Capital spending by removing or reducing capital schemes which, depending on the funding source, could reduce the revenue costs of borrowing.

39. The approach to the programme is to prioritise the projects within the available resources. There is a potential for changes in affordability of large projects which can have a significant impact on the programme, even for those intended to be self-funding.
40. Active management and intervention in the Capital Programme will be maintained through the Corporate Leadership Team to manage the risks inherent in the programme. Capital Budget monitoring reports will continue to be taken to Cabinet regularly.

Equalities Impact of the Proposal

41. None has been identified as arising directly from this report.

Environmental Implications of the Proposals

42. Please refer to paragraph 30 above regarding the Corporate Carbon reduction Programme.

Financial Implications

43. The report as a whole considers the financial implications to the Council's Capital Programme 2010-2013.

Legal Implications

44. None has been identified as arising directly from this report.

Conclusion

45. The recommended Capital Programme is shown in Appendix B, which balances the available resources and priorities over the next three years.

Reasons for Proposals

46. The proposals seek to match available resources, consistent with current policies to priority projects, annual allocations and commitments to set a balanced Capital Programme which is affordable over the next three years.

Proposals

47. a) Approve the proposals for the Wiltshire Council Capital Programme for 2010-11 to 2012-13 as shown in Appendix B.
- b) Approve the use of additional borrowing of £20.617 million in 2010-11 and £53.164 million over the three years.

Martin Donovan
Chief Financial Officer

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Unpublished documents relied upon in the production of this report: None
Environmental impact of the recommendations contained in this report: None

Appendix A : Baseline Position for Capital Programme 2010-11 to 2012-13
Appendix B : Capital Programme 2010-11 to 2012-13 New Schemes for
 Prioritisation & Approval
Appendix C : Highways & Transportation Capital Budget Allocations

BASELINE POSITION FOR CAPITAL PROGRAMME 2010-11 to 2012-13

APPENDIX A

Dept	Scheme	2010-11	2011-12	2012-13*	Total 2010-13	2010-13 SOURCES OF FUNDING SUMMARY				
		Budget	Budget	Budget	Budget	Grants Developer Contributions	Capital Receipts	Revenue Contribs	Supported Borrowing	Unsupported Borrowing
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Grant & Developer Funded Elements (existing base position)									
DCE	Wellington Academy	12,897	12,910		25,807	25,807				
DCE	Devolved Formula Capital	4,431	7,160	7,160	18,751	18,751				
DCE	Extended Schools	413			413	413				
DCE	Sure start, early years	3,119	0	0	3,119	3,119				
DCE	Youth Capital Grant	187	200	200	587	587				
DCE	Primary Capital Programme - building schools for the future	9,793	4,000	4,000	17,793	17,652			141	
DCE	Targeted Capital for 14-19, Special Educational Needs & Access	7,700			7,700	7,700				
DCE	Aiming High for Disabled Children (AHDC) Short break funding	478	0		478	478				
DCE	New Deals for Schools Modernisation Funding Grant Element only	3,946	4,500	4,500	12,946	12,946				
DCE	DCSF Targeted Capital Funding for practical cooking spaces	810	0		810	810				
DCE	Playbuilder	596			596	596				
DCE	School Kitchens Grant	929			929	929				
DCE	Quakers Walk New Primary School	1,885			1,885	1,885				
DCE	Clarendon College Expansion	727			727	727				
NAP	Other Housing Grants	1,373	770		2,143	2,143				
NAP	Commuted Sums for Housing (developer contribution)	137			137	137				
NAP	Mandatory Disabled Facilities Grants - Housing	1,010	1,110	1,210	3,330	3,330				
NAP	Thingley Transit Site	1,575			1,575	1,498	77			
NAP	LTP Integrated Transport Grant element	1,461	1,400	1,461	4,322	4,322				
NAP	Bridges & Structures - grant funded part of LTP Maintenance	330			330	330				
DCS	Adult Social Care IT Infrastructure Grant	127			127	127				
DCS	Social Care Grant	239			239	239				
DCS	Mental Health Grant	141			141	141				
	TOTAL GRANT/DEVELOPER FUNDED	54,304	32,050	18,531	104,885	104,667	0	77	141	0

BASELINE POSITION FOR CAPITAL PROGRAMME 2010-11 to 2012-13

APPENDIX A

Dept	Scheme	2010-11	2011-12	2012-13*	Total 2010-13	2010-13 SOURCES OF FUNDING SUMMARY				
		Budget	Budget	Budget	Budget	Grants Developer Contribs	Capital Receipts	Revenue Contribs	Supported Borrowing	Unsupported Borrowing
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Commitments									
DCE	Melksham Oak Community School	1,023			1,023		1,023			
DCE	Wellington Academy - off site works	200			200				200	
DCE	New Deals for Schools Modernisation Funding - 50% maintenance element	232	250		482				482	
DCE	Additional Accommodation (basic need) - revised amount	4,142	3,529		7,671	613			7,058	
DCE	Access & Inclusion	855	850		1,705				1,705	
DCE	Salisbury Academy - net cost to Council only (assumes reprofiling approved)	476	1,690	185	2,351		2,000			351
DCE	Clackers Brook Primary School - Furniture & Equipment	230			230		230			
NAP	Salisbury Vision: Renaissance of Salisbury Market Place	750			750	750				
NAP	LTP Maintenance - core amount to prevent further maint. Backlog	10,548	10,295		20,843				20,843	
NAP	Carriageway Surface Dressing	500	500		1,000				1,000	
NAP	Footways	250	250		500		500			
NAP	Land Drainage	200	200		400				400	
NAP	Land Drainage maintenance	300	300		600				600	
NAP	Land Compensation and Acquisition-previous schemes	150			150		150			
NAP	Street Cleaning Vehicles	284	284		568				568	
NAP	Waste Vehicles	1,611	1,611		3,222	628			2,594	
NAP	Highway Depots	2,686			2,686		2,686			
DCS	Stronger Safer Community Fund	114	0		114	114				
RES	Building Maintenance - core amount to prevent further maint. Backlog	2,125	2,129		4,254				4,254	
RES	Workplace Transformation Programme (WTP)	24,280	24,299	8,398	56,977		11,711			45,266
	TOTAL COMMITMENTS	50,956	46,187	8,583	105,726	2,105	18,300	0	39,704	45,617
	Housing Revenue Account (HRA)									
NAP	Housing Revenue Account - R&M of Council properties - MRA	3,225	3,325	3,325	9,875			9,875		
NAP	HRA - Disabled Adaptions - MRA	275	275	275	825			825		
NAP	HRA - New Housing - Tranche 1	5,354	1,265		6,619	3,163		3,456		
NAP	HRA - New Housing - Tranche 2	1,998	207		2,205	1,110				1,095
	TOTAL HRA	10,852	5,072	3,600	19,524	4,273	0	14,156	0	1,095
	SUBTOTAL EXISTING BASE POSITION INCLUDING HRA	116,112	83,309	30,714	230,135	111,045	18,300	14,233	39,845	46,712

* None of the planned expenditure for 2012-13 has been approved previously, so this all requires approval as part of this report.

CAPITAL PROGRAMME 2010-11 to 2012-13: NEW SCHEMES FOR PRIORITISATION & APPROVAL

APPENDIX B

Dept	Scheme	Prioritisation Category	2010-11	2011-12	2012-13*	Total 2010-13	2010-13 SOURCES OF FUNDING SUMMARY							
			Cap Bid	Cap Bid	Cap Bid	Cap Bid	Grants	Capital	Revenue	Supported	Unsupported			
			£000	£000	£000	£000	Developer Contribs £000	Receipts £000	Contribs £000	Borrowing £000	Borrowing £000			
	New Schemes for Prioritisation & Approval													
DCE	Access & Inclusion	A	0	0	855	855							855	
DCE	Additional Accommodation - core amount for 12-13	A	0	0	3,529	3,529							3,529	
RES	Building Maintenance - core amount to prevent further maintenance backlog	A	426	136	2,265	2,827		418						2,409
NAP	Local Transport Plan Maintenance - core amount to prevent further maintenance backlog - total amount for 2012-13	A	0	0	10,295	10,295							10,295	
RES	WTP - Operational Estate - DCE & DCS Projects	B	10,400			10,400								10,400
RES	Building Maintenance - The Shambles, Devizes	B	380	0	0	380								380
DCE	Additional Accommodation	B	500	500	500	1,500		500						1,000
DCE	New Deal for Schools Modernisation Funding	B	231	213	463	907			463					444
NAP	HRA Disabled Adaptations	B	150	150	150	450			150					300
NAP	Mandatory Disabled Facilities Grants	B	800	1,800	1,900	4,500								4,500
NAP	Road Safety Grant	B	308			308	308							
NAP	Bradford on Avon Cemetery Extension	B	35	270	0	305								305
NAP	Local Transport Plan - Integrated Transport Block	B	2,921	2,679	2,564	8,164							2,564	5,600
NAP	LTP Road and Bridge Maintenance Funding - to reduce backlog	B	1,801	1,705	1,705	5,211							1,705	3,506
NAP	Highways Structural Maintenance -Additional Bid	B	250	0	0	250								250
NAP	Melksham Cemetery Extension	B	100	320	0	420								420
NAP	Purchase of replacement kerbsider recycling collection vehicles	B	775	479		1,254								1,254
NAP	Purchase of additional boxes to support additional recycling	B	220			220								220
NAP	Corporate Carbon Reduction Programme	C	500	500	500	1,500		500						1,000
NAP	NAP consolidated IT System	C	350	350	0	700								700
RES	Revenues & Benefits combined system	C	750	750	0	1,500								1,500
DCE	Porch at Wootton Bassett Youth Centre	C	28	0	0	28								28
	SUBTOTAL, SUGGESTED PRIORITISED BIDS		20,925	9,852	24,726	55,503	308	2,031	0	18,948	34,216			
RES	Building Maintenance - to reduce backlog (being addressed by WTP)	C	900	900	900	2,700								
DCS	Malmesbury Library Refurbishment	D	323	0	0	323								
NAP	Grass Cutting & Grounds Maintenance Vehicles	D	100	282	0	382								
	SUBTOTAL, BIDS NOT SELECTED FOR PRIORITISATION		1,323	1,182	900	3,405								

APPENDIX C

HIGHWAYS & TRANSPORT CAPITAL BUDGET ALLOCATIONS

	2009-10 APPROVED BASE BUDGET	2010-11 PROPOSED BASE BUDGET	2010-11 PROPOSED BUDGET BIDS	2010-11 TOTAL OF BASE BUDGET AND BIDS
	£000	£000	£000	£000
Integrated Transport Grant funded element (LTP)	1,386	1,461		1,461
Integrated Transport Supported Borrowing element (LTP)	2,773		2,921	2,921
Specific Maintenance Works Grant (LTP)	330	330		330
LTP Maintenance of Roads & Bridges - Health & Safety related & to maintain existing conditions	10,189	10,548		10,548
LTP Maintenance of Roads & Bridges - to reduce backlog	1,742		1,801	1,801
SUBTOTAL LTP	16,420	12,339	4,722	17,061
Road Safety Grant (unringfenced grant)*			308	308
Carriageway Surface Dressing	500	500		500
Additional one off highways maint to cover 107km of road maint in total	1,000			
Highways structural maintenance (additional bid)			250	250
Footways	250	250		250
Land Drainage	200	200		200
Land Drainage Maintenance	300	300		300
SUBTOTAL NON LTP	2,250	1,250	558	1,808
TOTAL HIGHWAYS & TRANSPORT**	18,670	13,589	5,280	18,869

* Not allocated to Road Safety in 2009-10 because as an unringfenced grant, it was utilised to fund other priorities.

** Does not include other items such as Land Acquisition & Compensation.