

AGENDA SUPPLEMENT (1)

Meeting: Cabinet Capital Assets Committee
Place: Committee Room III - County Hall, Trowbridge
Date: Monday 7 February 2011
Time: 2.30 pm

The Agenda for the above meeting was published on 26 January 2011. The reports detailed below are late items incidental to the business of the Committee. These are now available and are attached to this Agenda Supplement.

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This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

a) **Capital Programme Proposals** (*Pages 1 - 8*)

To consider the attached report of the Chief Finance Officer, regarding proposals for the capital programme, ahead of consideration of the capital programme by Cabinet.

DATE OF PUBLICATION: 2 February 2011

WILTSHIRE COUNCIL

CABINET CAPITAL ASSETS COMMITTEE

7 February 2011

Subject: Capital Programme Proposals 2011-12 to 2014-15

**Cabinet Member: Councillor Fleur de Rhe-Philippe,
Finance, Performance and Risk**

Key Decision: Yes

Executive Summary

This report proposes a four year Capital Programme for 2011-12 to 2014-15 of £251.267 million, which maintains funding on Highways at existing levels.

Cabinet Capital Asset Committee needs to consider the Capital Programme proposals and make appropriate recommendations to Cabinet on 22 February 2011.

Proposals

1. It is proposed that Cabinet Capital Asset Committee make the following recommendations to Cabinet on 15 February 2011 which will be presented to Scrutiny on 10 February 2011.
 - a) To approve the Wiltshire Council Capital Programme for 2011-12 to 2014-15 as shown in Appendix A.

Reasons for Proposals

The Cabinet Capital Asset Committee needs to make the recommendation to Cabinet in order to enable the Council, subject to Scrutiny on 10 February 2011, to set a Capital Programme for 2011-12 to 2014-15.

**Michael Hudson
Interim Chief Financial Officer**

WILTSHIRE COUNCIL

CABINET CAPITAL ASSETS COMMITTEE

8 February 2011

Subject: Capital Programme Proposals 2011-12 to 2014-15

Cabinet Member: Councillor Fleur de Rhe-Philipe,
Finance, Performance and Risk

Key Decision: Yes

Purpose of Report

1. To present the proposals for the capital programme 2011-12 to 2014-15.

Background

2. Following the creation of the new Cabinet Capital Assets Committee (CCAC), Wiltshire Council now has a dedicated strategic committee set up to ensure the effective management of all its assets and to monitor and put forward proposals on the Council's capital programme.
3. This report sets out the projects being proposed to be added to the council's future capital programme at this time, summarises the impact on following the review of the capital programme that was commissioned by the CACC and the future process it has agreed for any potential capital projects to be added to the programme.

CCAC Review of Approved Capital Programme 2010-11 to 2012-13

4. A review was commissioned by the CCAC in December 2010 to look at the current approved capital programme with a priority to reduce the impact of the revenue cost of capital. The review was reported to its meeting on 10 January 2011.
5. The main priority was to reduce revenue costs and as such projects mainly funded by borrowing were focused upon. The outcome of the review was that no projects were entirely removed from the approved programme, but spending, and thus borrowing, was deferred which subsequently deferred the associated revenue expenditure.
6. The other main outcome to come out of the review was the proposals for future additions capital programme. This was for no further additions to the programme apart from exceptions as set out below.
 - a. Proposals around Campuses (previously leisure) and Waste investments as previously approved by Cabinet.

- b. Further reports which will outline future spending on Highways and Education projects.
 - c. Any new scheme which clearly demonstrates ongoing revenue savings.
7. With this in mind there are only a limited number of new proposals to be added to the capital programme for 2011-12 to 2014-15. In the future to complement longer term business and financial planning rather than setting the programme on an annual fixed basis the CCAC will consider and propose amendments to the programme during the whole of the financial year. This will assess at the same time the impact of the whole life costs on the revenue budget during the year. This will improve the flexibility, efficiency and effectiveness of the management of the councils rolling capital programme.
8. The approved programme for 2011-12 to 2014-15, in particular the first year 2011-12, which is shown in Appendix A has been amended to include all revisions and re-profiling covered in the review and during capital monitoring during the financial year.

Capital Programme 2011-12 to 2014-15 – New Proposals

Waste

9. The Cabinet, on 19 October 2010, and the CCAC, on 10 January 2011, have both previously considered and approved proposals on the transformation of Waste and Recycling Collection services.
10. The capital investment in Waste that is required over the next four years to deliver the transformation is shown below. The capital investment will be funded by additional borrowing, the revenue cost of which has been factored into the revenue budget proposals reported elsewhere on this agenda.

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	4 year total £m
Waste Transformation	7.761	0.528	0.138	0.138	8.566

Libraries – Radio Frequency Identification technology (RFID)

11. At its meeting on 25 January 2011 the Cabinet approved the Library Review and in doing so a one off capital investment in 2011-12 of £0.547 million for RFID technology in Libraries to allow increased automation through the use of self service units. This will enable the delivery of the services 2011-15 budget saving target of £0.505 million over the next four years.

Digital Inclusion

12. Included in the Council's proposed Business Plan is a capital investment, through partnerships, to dramatically improve Wiltshire's broadband facilities with the introduction of super fast broadband in remote and populated areas. The Council has identified £16 million of capital investment over a period of

four years starting in 2012/13, which equates to £12 million over the Business Plan period.

13. All of this capital investment will be funded from additional borrowing. The revenue costs associated with this investment have been fully accounted for in the revenue proposals. The capital investment required over the four years is shown below.

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	4 year total £m
Digital Inclusion	-	4.000	4.000	4.000	12.000

Campuses (Previously covered under the Leisure Review)

14. In July 2010 the Cabinet received a paper on the consultation of the future of the Council's indoor Leisure facilities and approved an indicative replacement, refurbishment and devolvement programme which estimated capital investment of circa £117 million over 25 years.
15. After the consultation period ended a further report was presented to Cabinet at its December 2010 meeting which explained how the refined proposals would be delivered as part of the Workplace Transformation Programme. This will widen the scope and purpose of the proposals to now include the specification of leisure facilities within campuses, and the planned improvements to facilities considered part of the Council's overall operational estate.
16. As yet no detailed business case has been presented which determines the level of capital investment required for the first tranche of campuses over the four years' of the programme and business plan.
17. The revenue business plan has allowed for project management costs based on campus principles to be proposed by Cabinet for approval. It has also accounted for revenue costs associated with capital investment but based on the original Leisure Review proposals in June 2010 which estimated £30 million over the first four years.
18. This proposal has been put forward as a commitment for future capital investment and thus is shown in the revised programme, with a business case being brought back to CCAC which will outline the investment required in full, not just for the first four years but over the whole life of the project. As such the capital programme set out in Appendix A includes £30m as was previously outlined in the initial Leisure Review proposals.

Workplace Transformation Programme (WTP)

19. The capital monitoring report presented to CCAC at its formal meeting on 7 February 2011 states the requirement to reintroduce £1.025 million originally set aside in the BMP project line as a contribution to the previous Hub Strategy, which preceded the WTP.

20. A monitoring report presented to Cabinet on 23 February 2010 removed this contribution for the capital programme as at the time the BMP project had finished and WTP had assumed the scope of the Hub Strategy.
21. WTP Project managers have now assessed the original contribution to the Hub Strategy and have confirmed that the contribution is still required within the scope of the WTP scheme. Therefore £1.025 million will be required to be added back to the programme against the WTP line as originally planned.
22. There is nil impact on the revenue budget for this reintroduction as the reprofiling of the County Hall refurbishment over 2011/12 and 2012/13 will mean the revenue impact can be subsumed within the overall revision of the programme and is thus accounted for in the Business Plan proposals.

Highways and Education

23. As per the outcome of the capital programme review carried out and reported to CCAC at its formal meeting on 10 January 2011, further reports on Highways and Education projects are required, and following these any proposals by the CCAC will be put to Cabinet and recommended on to Council to amend the capital programme as appropriate.
24. In building up the proposals for the capital programme, assumptions have been made prior to these reports for these areas, as detailed below:
 - The existing programme remains as is for projects up to 2010/11 that slip into 2011/12, but that the funding for projects that was previously undertaken by supported borrowing has now been switched to grant funding as per the settlement announcement for 2011/12 and 2012/13.
 - Any projects that were previously 100% grant funded have now also been amended to reflect grant levels as per the 2011/12 and 2012/13 settlement e.g. Devolved Formula Capital has been revised down to £1.641 million from an indicative £7.160 million.
 - Although grants are now un-ringfenced, capital investment will be carried out up to the level of the government grant received in the areas designated i.e. Highways and Education, subject to any amendment following the future reports being considered by CCAC.
25. The impact on both Highways and Education (excluding academies) can be summarised in the table below, which compares the original budget for 2010/11 (excluding slippage from 09/10) which was financed by a mixture of supported borrowing and government grant, to the proposed base funding in 2011/12 which will be financed by the government grant.

	2010/11 £m	2011/12 £m	Change £m
Education	32.599	17.749	(14.850)
Highways	18.211	16.932	(1.279)

26. To maintain capital investment on Highways schemes in 2011/12 at the same levels as 2010/11 a further £1.279 million is required. This has been added to the proposed programme as additional funding which will be financed from borrowing. The full £18.211 million funding will be detailed out in a future paper to CCAC, but will result in the Highways maintenance element of the Highways funding being increased by £0.669 million.
27. The revenue impact of this switch in funding from supported borrowing to government grant will help to generate savings of circa £1.4 million. This, on top of any deferral of capital investment arising from the capital programme review, has been factored into the revenue budget proposals.

Funding the Capital Programme

28. Funding of the Capital Programme is available from a number of sources. The table below summarises the source of funding for the proposed capital programme and details the additional borrowing required for the new proposals outlined in the report.

Estimate of Funding Sources over the next four years	£ million
Grants and Contributions (inc. Revenue & HRA)	117.643
Capital Receipts	38.446
Borrowing	44.066
Sub Total	200.155
New Proposals:	
Additional Borrowing	51.112
Total Funding	251.267

Grants and Contributions

24. As per paragraph 23 to 26 in the report in specific relation to Highways and Education projects, all known government grant funding has been reflected in the proposed programme, and where applicable estimates on future funding.
25. Included within this line is any council revenue contribution, S.106 contribution and also Housing Revenue Account contributions, which have a nil impact on the Council's overall programme i.e. 100% funded.

Capital Receipts

26. An estimate of capital receipts has been made for the next four financial years and is detailed in the table below. To allow for effective management of the programme and its funding no capital receipt is ring-fenced to fund a specific project within the programme

Receipt classification	Receipt Generated £m
Farms	7
Workplace Transformation Programme	17
Sales already commenced	14
Total Receipts in Programme	38

27. Receipts have been appraised based on a detailed analysis and due diligence 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.
28. Any approval of an alternative use of these assets will reduce the projected capital receipt and have a knock on revenue impact unless equivalent reductions of capital investment are made in the programme. A regular report is taken to the CCAC which monitors and assesses the progress being made with regards to capital receipts.

Borrowing

29. The settlement has brought about a major change in future borrowing as previous projects within Highways and Education that depended on Supported Borrowing have now had the funding switched to government grant funding. The impact of this on those schemes has been covered in paragraphs 23 to 26 of the report.
30. The impact to the overall council programme is summarised in the table. This compares the total capital investment and borrowing over the three years that was approved by Council last February (2010) to what is being recommended to Council to approve this February (2011) but over the next four years.

	3 years approved Feb 2010 £m	4 years proposed Feb 2011 £m	Change £m	Change %
Existing Borrowing	86.557	44.066	(42.491)	(49%)
Additional Borrowing	53.164	51.112	(2.052)	(4%)
Total Capital Investment	285.638	251.267	(34.371)	(12%)

31. 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 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 has been covered in the Annual Treasury Management Strategy 2011-12 that went to Cabinet on 25 January 2011.
32. All revenue costs associated with borrowing for capital investment have been factored into the revenue budget and business plan.

Risk Assessment

33. Active management and intervention in the Capital Programme will be maintained through the Cabinet Capital Assets Committee at a strategic level. The Corporate Leadership Team will ensure management of the risks

inherent in the programme through delegation of projects down to service directors.

34. Capital Budget monitoring reports will continue to be taken to Cabinet Capital Assets Committee on regular basis.

Equalities Impact of the Proposal

35. Each new proposal put forward will have its own equalities impact assessed by the officers responsible for the project.

Environmental Implications of the Proposals

36. Each new proposal put forward will have its own environmental implications assessed by the officers responsible for the project.

Financial Implications

37. The financial implications are implicit in the report and the consequences have directly fed into the completion and setting of the Council's revenue budget and business plan.

Legal Implications

38. None have been identified as arising directly from this report.

Reasons for Proposals

39. 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

40. Approve the proposals for the Wiltshire Council Capital Programme for 2011-12 to 2014-15 as shown in Appendix A.

Michael Hudson
Interim Chief Financial Officer

Report Author: Andy Brown

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

Appendix A: Proposed Capital Programme 2011-12 to 2014-15

Detailed Capital Programme and Funding Sources 2011/12 to 2014/15

APPENDIX A

Scheme name	Proposed Budget 2011/12 to 2014/15					Funding available			
	2011/12 budget	2012/13 Budget	2013/14 Budget	2014/15 Budget	Total budget	Grants and Contributions	Capital Receipts	Borrowing	Total Funding
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Education schemes									
<u>Continuing schemes</u>									
Wellington Academy	10.453	-	-	-	10.453	10.382	0.071	-	10.453
Sarum Academy Salisbury	11.802	5.700	-	-	17.502	15.515	1.987	-	17.502
Additional Accommodation	13.676	8.472	-	-	22.148	16.944	5.204	-	22.148
NDS Maintenance & Modernisation	8.034	7.923	-	-	15.957	15.957	-	-	15.957
Devolved Formula Capital	1.641	1.354	-	-	2.995	2.995	-	-	2.995
<u>Slippage of schemes into 2011/12 finishing in 2011/12</u>									
Access and Inclusion	0.523	-	-	-	0.523	-	0.523	-	0.523
DCSF Primary Capital Programme	3.199	-	-	-	3.199	3.199	-	-	3.199
DCSF Targeted Capital 14-19 SEN	4.815	-	-	-	4.815	4.815	-	-	4.815
Other Projects New Schools	1.966	-	-	-	1.966	0.362	1.604	-	1.966
Other Schools Projects - Expansions	0.949	-	-	-	0.949	0.251	-	0.698	0.949
Other Schools Projects - Replacements	0.430	-	-	-	0.430	-	-	0.430	0.430
	57.488	23.449	-	-	80.937	70.420	9.389	1.128	80.937
Highways schemes									
Base funding to be allocated	16.932	16.481	-	-	33.413	33.413	-	-	33.413
Additional funding to be allocated	1.279	-	-	-	1.279	-	-	1.279	1.279
<u>Slippage of schemes into 2011/12 finishing in 2011/12</u>									
Additional Highway Maintenance	0.500	-	-	-	0.500	-	-	0.500	0.500
Major Highway Improvements	0.241	-	-	-	0.241	-	-	0.241	0.241
	18.952	16.481	-	-	35.433	33.413	-	2.020	35.433
Property schemes									
WTP	30.589	23.398	-	-	53.987	-	17.495	36.492	53.987
Buildings Repair & Maintenance	2.265	2.265	-	-	4.530	-	1.565	2.965	4.530
Leisure & Amenities	0.590	-	-	-	0.590	-	0.590	-	0.590
	33.444	25.663	-	-	59.107	-	19.650	39.457	59.107

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Detailed Capital Programme and Funding Sources 2011/12 to 2014/15

APPENDIX A

Scheme name	Proposed Budget 2011/12 to 2014/15					Funding available			
	2011/12 budget	2012/13 Budget	2013/14 Budget	2014/15 Budget	Total budget	Grants and Contributions	Capital Receipts	Borrowing	Total Funding
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Housing schemes									
Disabled Facilities Grants	2.500	2.500	1.555	-	6.555	2.320	4.235	-	6.555
Corporate other housing grants	0.816	0.775	-	-	1.591	1.591	-	-	1.591
New Housing	3.295	-	-	-	3.295	2.301	-	0.994	3.295
HRA - refurbishment of council stock	3.750	3.750	-	-	7.500	7.200	-	0.300	7.500
	10.361	7.025	1.555	-	18.941	13.412	4.235	1.294	18.941
Other schemes									
Revenue & Benefits IT System	0.750	-	-	-	0.750	-	0.750	-	0.750
Waste Vehicles	1.895	-	-	-	1.895	-	1.895	-	1.895
Waste Management	0.677	-	-	-	0.677	-	0.677	-	0.677
Land Drainage	0.500	-	-	-	0.500	-	0.500	-	0.500
Carbon Reduction	0.500	0.500	-	-	1.000	-	1.000	-	1.000
Planning IT System	0.350	-	-	-	0.350	-	0.350	-	0.350
Adult Social Care Strategy - Older People	0.398	-	-	-	0.398	0.398	-	-	0.398
Adult Social Care Strategy - Mental Health	0.167	-	-	-	0.167	-	-	0.167	0.167
	5.237	0.500	-	-	5.737	0.398	5.172	0.167	5.737
Subtotal before additional schemes	125.482	73.118	1.555	-	200.155	117.643	38.446	44.066	200.155
Additional schemes approved									
Waste Transformation	7.761	0.528	0.138	0.138	8.565	-	-	8.565	8.565
Digital Inclusion	-	4.000	4.000	4.000	12.000	-	-	12.000	12.000
Libraries RFID Technology	0.547	-	-	-	0.547	-	-	0.547	0.547
Campuses	5.000	10.000	10.000	5.000	30.000	-	-	30.000	30.000
Total 4 year programme & financing	138.790	87.646	15.693	9.138	251.267	117.643	38.446	95.178	251.267