KENNET DISTRICT COUNCIL

Meeting to be held on Tuesday, 4th September 2007

THE CAPITAL PROGRAMME FOR 2007/08 AND 2008/09

Report by the Director of Resources

1. Introduction

The purpose of the report is to present the results of a review of the Council's capital budget for 2007/08 and 2008/09, and to make recommendations arising from that review.

2. Financial Implications

Financial implications form the body of the report.

3. Staffing Implications

None.

4. Legal and Risk Management Implications

None.

5. Introduction

The capital programme for 2007/08 and 2008/09 was of course prepared on the assumption that the Council would remain in being. That fundamental assumption has proved to be doubtful at best, and it is therefore appropriate to review the budget in the light of the decision, (subject to the necessary legislation etc.) to introduce unitary local government in Wiltshire.

6. Background

The corporate finance staff have carried out a review of the capital programme. In analysing the capital programme the corporate finance staff have assumed that the Council would not wish to continue with other than essential expenditure on its own assets, vehicles, ICT equipment, and public offices, for the obvious reason that such expenditure could well prove to be a waste of public money. On the other hand, capital expenditure on community assets, (such as public conveniences and car parks) have been retained in the programme. Removing planned expenditure on infrastructure reduces the capital programme significantly as shown in the table below:

	2007/08	2008/09
	£000s	£000s
Effect of removing uncommitted expenditure on infrastructure for:		
Vehicles and Plant	870	480
Public Buildings	193	100
Information and Communications Technology	959	565
Total Reductions	2,022	1,145
Less Contingency for "Emergency" Expenditure	(-) 322	(-) 245
Potentially Available to Spend on Community Assets	1,700	900

On this basis, there is a significant reduction in the capital programme over the two years, amounting to £2,600,000.

7. <u>The Possible Use of the Surplus Revealed by the Revised Estimate Exercise</u>

The letter of the proposed law, as currently set out in Clause 24 of the Local Government and Public Involvement in Health Bill, precludes the Council from entering into any individual capital contracts with a value in excess of £1m.

The intention of Clause 24 is clearly to minimise the reduction in capital reserves for the new unitary authorities to inherit.

It would be possible compromise to use any capital under-spending in 2007/08 and 2008/09 to provide community assets. Used carefully, such an approach could provide a boost to the services and facilities on offer to Kennet residents long after the Council has ceased to exist. At the same time the Council would meet the spirit of Clause 24 by leaving the new authority in no worse position in regards to the Council's capital reserves than would already have been the case had the original capital programmes been carried out as intended.

In the event that local government reorganisation in Wiltshire did not proceed, taking the compromise approach described above would not do damage to the Council's finances, the capital reserves remaining at the level that was always planned for them when agreeing the capital programme for 2007/08and 2008/09, albeit there would have to be a "catching up" on infrastructure investment and a scaling back of investment in community assets in the following two years.

8. Broad Allocation of Funds

If the Council was minded to provide more additional community assets instead of incurring capital expenditure on its own assets, then a number of further matters need to be considered.

Ideally, whichever approach is taken the Council's investment should only be made where significant external funding can be levered in as a result of the Council's investment.

Given the significant unmet demand for subsidised rented accommodation in the District the Council may feel that a substantial proportion of available funding ought to be used for social housing. Investment in social housing will automatically bring in at least 50% external funding from the housing associations or the Housing Corporation.

If the Council was minded to allocate £1.3m for additional social housing, that would leave £1.3m for the provision of other community assets.

9. Decision Making Process for Allocating Grants

The procedures for allocating social housing funding are well-established, and are quite capable of dealing with any additional funding.

The recommended policies and procedures for determining how other community-based projects should be supported are set out as an appendix to the report.

10. Conclusions and Recommendations

Given the probability that local government in Wiltshire will be reorganised at some stage in the next two years investment in ICT, buildings, vehicles and plant may well prove to be a waste of public money. The Council could divert budgets intended for infrastructure investment to investment in community assets. This would leave the total spending at the level already approved, but would represent a shift in the purpose of that expenditure. The alternative would be to simply allow money not spent on infrastructure investment to increase the level of reserves that will be passed to the new unitary authority.

It is **RECOMMENDED THAT:**

(1) the capital programmes for 2007/08 and 2008/09 be amended to remove uncommitted expenditure on information and communications technology, vehicles and equipment, and public

buildings save for a contingency to meet emergency expenditure on those items, saving £2.6m;

(2) the sum of £1.3m be added to the 2007/08 and 2008/09 capital programmes for further investment in subsidised, rented social housing;

(3) the sum of £1.3m be added to the 2007/08 and 2008/09 capital programmes for further investment in community assets;

(4) the procedure and decision making criteria in respect of the additional investment in community assets be as set out at the appendix to this report.

Director of Resources

APPENDIX

RECOMMENDED POLICY AND PROCEDURE FOR ALLOCATING EARMARKED CAPITAL FUNDS FOR COMMUNITY PURPOSES

Policy

The following policy is recommended when assessing bids for funding:

Any proposal must:
1. Address the Council's corporate priorities.
2. Address an issue or issues raised in the Kennet Community Plan or one of the four local community plans.
3. Be fully costed.
4. Be supported by a business plan that demonstrates that any development proposed is sustainable.
5. Only be used for capital purposes as required by law, (capital receipts may not be used for revenue funding).
6. Provide a maximum proportion of the total scheme cost of 40%.
7. Be capable of substantial completion before the "vesting date" for the new unitary authority.

Procedure

1. The possibility of receiving capital grants for community projects should be made known via the four local strategic partnerships, with a closing date of 31st December 2007, with a second closing date of 31st March 2008 for dealing with subsequent applications should there be any available resources after dealing with applications received by 31st December.
2. Applications for funds should be submitted to the Director of Resources who will subject applications for funds to the tests outlined in the policy.
3. The Director of Resources will produce a report on applications, including his judgement on whether any proposal meets the policy tests, and his recommendation in respect of any proposal. Any such report shall include a section setting out the views of the local ward member(s) in respect of any proposals received.
4. The report of the Director of Resources will be considered by the Community Development Executive Committee as the relevant decision-making body.