

COUNTY COUNCIL
13 February 2001

CAPITAL PROGRAMME 2001-02

Introduction

1. This report proposes the 2001-02 capital programme for Members' consideration. It results from the following process:
 - a. Service committees drew up their capital programme bids and these were considered at the December round of committee meetings. These bids covered three years (2001-02 to 2003-04) as a "dry run" at a three year capital programme, as this will be required from 2002-03 under Central Government initiatives. Years two and three will not form an official part of the Capital Programme 2001-02.
 - b. During late December, the Capital Officers' Working Group (COWG) produced one corporate priority list from the first year (2001-02) bids, to be funded from discretionary County Council resources, as shown in Appendix A. The COWG consists of senior officers from each of the main service departments and the chairman is the Deputy County Treasurer.

What Resources are available?

Earmarked Resources

2. There has been welcome news recently on the amount of capital resources that will become available to the County Council over the next few years. This relates principally to the Education and Transport areas of capital spending, earmarked to specific schemes or types of expenditure.

Education – New Deal for Schools and Other Sources

3. The Department for Education and Employment has recently announced significant amounts of funding for schools' capital expenditure over the financial years 2001-02 to 2003-04, as summarised in Appendix B. It amounts to nearly £3.5m of funding in 2001-02, mainly in the form of grant. This is in addition to amounts included in the County Council's Basic Credit Approval (BCA) for basic need pupil places, for which the national funding level is expected to increase slightly in the future, too.

Local Transport Plan

4. In December 2000, the Department for the Environment, Transport and the Regions announced substantial amounts of funding for transport, including nearly £19.6 million in 2001-02, as shown in Appendix B. This includes £3 million for the commencement of the Semington to Melksham bypass, and for the first time, capital funding in respect of Non-Principal Roads Maintenance. Funding levels for the following four years are expected to be similar, as the Appendix shows.
5. However, as Appendix B also shows, virtually all of this funding is in the form of Supplementary Credit Approval, rather than grant. The implications of this are discussed later in this report.

Other Sources

6. Developers' contributions are another source of capital funding that is likely to be available in 2001-02 and future years, to fund both specific highways schemes and schools. Where appropriate, these have already been netted off the cost of schemes included in this report. The Education Department is experiencing very positive outcomes from its negotiations with developers concerning contributions to school schemes, and the benefits of this are starting to materialise, for example, in respect of two current schemes at Paxcroft and Bishopdown.
7. In addition to the information that we have at the moment, it is not unusual for Supplementary Credit Approvals (SCAs) for specific schemes to become available during the year.

8. Finally, consideration is currently being given corporately to ways of maximising external funding from sources such as the European Union, the National Lottery and partnership working. Officers are hopeful that this may yield significant additional funding in years to come.

Discretionary Resources

9. However, against this background of better overall funding, the level of capital resources over which the County Council has discretionary use remains very low. There are a number of points to note in this respect.

Capital Receipts

10. Capital receipts contribute a moderate amount of funding from year to year, but continue to fall as a general trend, because the County Council has less assets to sell.
11. On a specific point, the Education Committee meeting on 14 December 2000 resolved - *"To request the Policy and Resources Committee to agree to apply as much as is necessary of any receipt arising from the Hardenhuish School land sale proposal to the proposed King's Lodge School extension; and to ask the Director of Environmental Services, County Treasurer and Solicitor to the Council to report to the next meeting of the Policy and Resources Committee on any developments in the proposed Hardenhuish land sale"*.
12. The latest position is that the application for authority under the Playing Field Regulations to sell the land at Hardenhuish School, Chippenham is still being considered by the DfEE. Both staff at the School and officers of the County Council have offered to provide any further information that may be required. Officers will report the outcome and its implications to the Policy and Resources Committee once it is known.

Revenue Contributions

13. The level of revenue contributions to the capital programme is reducing, from nearly £1.1 million in 2000-01 to just under £0.9 million in 2001-02. This financing has been held in reserve pending further information on the WDS deficit and County Council balances position next year. There is, therefore, a possibility that some of this might become available later in the year to allow schemes to be released from the reserve list that officers are proposing.
14. This hold-back is in addition to the £1.152 million which was taken from uncommitted capital expenditure in this financial year to help restore County Council balances to a higher level.

Basic Credit Approval

15. The BCA is again low because, as evidenced above, resources are becoming increasingly tied to particular schemes, rather than coming through the BCA over which the authority has discretionary use. Despite the introduction of the Single Capital Pot from 2002-03, it appears that broadly similar amounts of money will be allocated through this mechanism as are currently allocated through the BCA, and that the rest will continue to be earmarked through grant and SCA.

How did the Capital Officers' Working Group allocate Discretionary Resources?

16. Against this background it was particularly important that priorities be given careful consideration. Prioritisation by officers has therefore been closely based on proven service need, following the priorities used in previous years:
- statutory responsibility;
 - essential maintenance; and
 - value for money.

Inevitably, due to the limited amount of resources available, only the unavoidable schemes have been included.

17. As this approach has been followed, there are inevitably situations where the corporate viewpoint has taken precedence over the priorities put forward by service committees. It has been necessary to repackage and recast some schemes, on the grounds that, given limited resources, a small slice of the cake is better than none at all. As in previous years, commitments into future years' programmes have been minimised wherever possible.

What is the suggested corporate list?

18. The conclusions of the COWG are shown in Appendix A. The three stage approach adopted in previous years has been continued, so that the schemes in the top section represent the most important corporate priorities, and these make up the proposed 2001-02 Capital Programme. Those in the second section form a reserve list, schemes which will proceed, in priority order, if and when further resources become available. Those in the third section are very unlikely to proceed, as there are not expected to be sufficient resources to fund them. These have therefore not been prioritised by the COWG, but are shown in Committee priority order only.
19. Priority 1 - North Wiltshire Schools PFI - £0.250 million - The majority of this requirement (£0.200 million) has already been spent, due to the increased costs of professional fees as a result of the delay in reaching financial close on the project. This delay was caused by White Horse Education Partnership being unable to meet the County Council's original completion date and was beyond the control of the Project Team. The rest is required in respect of costs that will be incurred between now and the three new schools opening.
20. Priority 2 - Furniture, apparatus and equipment for two new schools - £0.168 million - It was indicated in a report last year to the Education Committee that a small proportion of capital items in respect of fitting out the schools within the North Wiltshire Schools PFI scheme are outside the scope of the contract. This relates mainly to Abbeyfield School, which has no starting stocks of basic books, equipment, and so on. A similar need applies to the new Calne primary school, where a housing developer is funding and providing the new school buildings to open in September 2001, but not the furniture, apparatus and equipment.
21. Priority 3 - Adaptations to Properties - £0.050 million - This bid is based on previous years' average expenditure on assisting Social Services' clients to stay in the most appropriate settings for them. Failure to fund this bid would lead to the County Council being unable to fulfill its statutory responsibilities. Members should be aware that actual expenditure can vary significantly from one year to the next, as this budget is needs-led.
22. Priority 4 - Highways Professional Fees - £0.625 million - The funding of this project is essential to ensure that the County Council is able to access the full funding allocated to it within the Local Transport Plan (LTP) settlement. The project funding will contribute to the effective "levering-in" of approximately £43 million over the next few years.
23. Priority 5- Corsham Secondary School - £0.665 million - The demographic bulge in the school population is moving from the primary to the secondary sector, leading to basic needs in several towns, including Corsham. This places a significant extra strain on the existing facilities at the school. A feasibility study has outlined a way forward which will address the most urgent basic need, and at the same time start to bring some coherence to the existing school buildings. Further building and refurbishment is likely to be necessary in future years, some of which can be funded from anticipated developer contributions and monies under the school's control.
24. Priority 6 - Wharfside International Heritage Centre - £0.408 million - This unique project will unite ten outstanding collections of importance under one roof at the heart of Wiltshire. It will enable Wiltshire County Council to re-register the Record Office, provide better facilities for its award-winning Heritage Services and start a major new partnership with the internationally important Royal Photographic Society, along with Kennet District Council and Swindon Borough Council. The partnership is set to lever in a major tranche of external funding, with total spending approaching £10 million, of which the County Council's contribution is £2.366 million. The other partners in the project, notably Kennet District Council and the Royal Photographic Society, are seeking a project start in 2001.

25. The project is further described in the Wharfside International Heritage Centre brochure available in the Members' room. The unique value of this initiative and the needs of the partnership require the high priority now indicated for the project. The additional annual revenue cost of this scheme compared to existing provision will be £90,000 per annum from 2003-04, which has been notified to Members through the project's "Strategic Review" process. There is potential for a future capital receipt from the County Hall East complex as a result of this scheme, but it would have to be part of a more comprehensive review. The value and timing of such a receipt is therefore uncertain at present.
26. Priority 7 - Highways Structural Maintenance – Carriageway Repairs - £0.600 million - This project is essential to demonstrate that the County Council is maintaining its level of spending on highways maintenance. The amount is seen as the absolute minimum to ensure access to £3.5 million of LTP funding. If the County Council contribution is not maintained, future Government funding will be jeopardised.
27. Priority 8 - Minor Capital Works (Social Services) - £0.100 million - This minimum bid is based on identified and costed high priority works. It does not allow for expenditure on long-term measures, such as energy efficiency, which also impact on the revenue costs of service provision.
28. Priority 9 - Essential Minor Works in Schools, Libraries and Youth Centres - £0.050 million - It is necessary to have some funding in this budget in order that the closure of a school or library, or part of its premises, can be avoided. However, with more money for capital works being devolved to schools, it is more likely that they will have the ability to respond to immediate needs. The delegation of catering to all schools in April 2001 will remove the call on these funds for school kitchens. The amount allocated is unlikely to leave scope for improvement works, such as those to improve fire precautions.
29. Priority 10 - Additional Accommodation - £0.575 million - It has always been difficult to manage the level of demand within the budget allocation. With the bulge in the school population moving from primary to secondary, there may be some savings in relation to toilet facilities, balanced by the increased costs involved in providing specialist accommodation.
30. Priority 11 - Village Hall Grants - £0.050 million - This has been provided for in the capital programme for a number of years at the level of £0.050 million proposed again for 2001-02. The source of its provision has been a point of discussion for some while now, and in October 1999 the Education Committee asked officers to consider the future provision. I feel that these grants would be best provided for out of the revenue budget and Members are asked to ratify this as future policy.

Conclusion on Corporate List

31. A great deal of thought and effort has gone into the selection of this prioritised list. As in previous years, whilst it is relatively easy to argue cases for further inclusions, it is much more difficult to see what could be dislodged.
32. The seemingly disappointing list of schemes to be funded from discretionary resources in 2001-02 does need to be seen in the context of the good news on earmarked resources and the possibility of schemes being released from the reserve list later.

Proposed Reserve List

33. Priority 12 - Additional Accommodation - £0.275 million - By the time the availability of reserve funding is clearer, a more accurate assessment of demand will become available as requests from schools are considered in the new year.
34. Priority 13 - Property Structural Repairs, including Foundation Schools - £0.125 million - Funding of this project is important to ensure that the County Council is able to meet its minimum Health and Safety obligations. The bid is significantly lower than previous years.

35. Priority 14 - Westbury Leigh CE Primary School - £0.556 million - The bid is for a major extension to Westbury Leigh CE Primary School. This is necessary to accommodate the children expected to come from at least 800 houses adjacent to the school. Children in the new housing are already attending the school, accommodated in temporary buildings. Discussions are currently under way which may result in a lowering of the net cost to the County Council.
36. Priority 15 - Highway Structural Maintenance - £0.200 million - Funding will ensure that essential repairs and maintenance can be carried out in order to prevent further serious damage to the Highway network. This work cannot be funded from the LTP settlement.
37. Priority 16 - Aftercare Team - £0.055 million - This bid is for provision of accommodation for a new team needed as a result of primary legislation on services for young people who have been looked-after by Social Services.
38. Priority 17 - Fire Safety Precautions - £0.040 million - It has been reported to the Education Committee recently that there has been no separate allocation for improvements to fire precautions in schools for the last four years. In practice, the minor capital works budget has funded essential fire extinguishers, and the balance of any of these funds available towards the end of the financial year have been used to tackle some of the most urgent backlog. A programme of Fire Officer visits due to start in April 2001 could well highlight further urgent needs.
39. Priority 18 - Highway Structural Maintenance – Footways and Cycleways - £0.200 million - Funding is required to ensure the safety of footways and cycleways due to increased use.
40. Priority 19 - County Farms - £0.053 million - This funding is necessary in order for the County Council to meet its statutory obligations.
41. Priority 20 - Integration Project - £0.150 million - This bid is to provide for essential office and service moves to progress the integration of Adult Care services with Primary Care services in the light of recommendations in the NHS Plan, as well as Children and Families Services with the Education and Libraries Department, in line with current corporate policy.

Magistrates Courts Committee

42. In order to give a complete picture of the County Council=s planned capital spending, details for the Magistrates' Courts Committee are given below. These proposals are self-contained, and do not impact on the considerations of the Authority=s corporate capital programme.
43. The Magistrates= Courts Committee has submitted bids to the Lord Chancellor=s Department (LCD) totalling ,0.242 million, for minor works and IT, as shown in Appendix B. Based on recent years= allocations it seems unlikely that all the items in the minor capital works bid will be approved. It is anticipated that the approved allocation from the LCD will be notified to us in March 2001, when a grant of 80% will be confirmed, along with credit approvals for both funding authorities (ie. Wiltshire County Council and Swindon Borough Council).
44. The Council is recommended to approve the County Council=s 14% contribution to the Magistrates Courts= Committee's 2001-02 capital programmes, up to a maximum programme of £0.242 million. This spending will only be incurred when approval is received from the LCD. Any additional spending would require a further approval by the Policy and Resources Committee.

What are the implications of high levels of Credit Approvals?

45. Credit Approvals of themselves are not a source of funding, but have three effects:
 - a. They allow the County Council to capitalise the expenditure.
 - b. They allow the County Council to take out loans to finance the expenditure.
 - c. They trigger Revenue Support Grant (RSG) on between 80% and 95% of the borrowing costs

- (the percentage is government determined and varies from year to year).
46. At current interest rates, there is broadly a 1 for 10 relationship between the value of a credit approval given by the Government, and the revenue cost to the County Council in the early years (including the 4% per annum statutory provision for the repayment of debt). Thus, the £19.4 million SCA allocated for Transport in 2001-02 will result in a revenue cost to the County Council of approaching £2m in the first full year (ie. 2002-03).
47. These debt charges fall as expenditure on the Capital Financing Items budget, along with other costs and interest, both payable and receivable. This budget has been capped at broadly its current level for a number of years now. Therefore, as debt charges have risen over time, so the revenue contribution to the capital programme, which is the balancing item on this budget, has fallen consistently, to a level of just under £0.9 million in 2001-02. With the modest levels of credit approvals in previous years, this position has been sustainable - so far.
48. At the same time, the County Council has been receiving additional RSG over the years to fund the revenue effect of using the credit approvals it has been allocated. As the Capital Financing Items budget has been capped, the benefit of the RSG has been going to services generally. However, with the high levels of credit approval now being proposed over the next five years, this position is no longer sustainable.
49. As I have said, the effect of the new Transport credit approvals for 2001-02 alone will be to increase debt charges by nearly £2m in 2002-03, and there will be similar increases for the next four years. Clearly, when the headroom on this budget in terms of a revenue contribution to the capital programme is already under £0.9 million, a new approach is required.
50. I therefore propose, that from the 2002-03 budget, the increased RSG resulting from credit approvals allocated to the County Council be earmarked and added to the Capital Financing Items budget. If Members wish, this principle could begin in 2001-02, as this would recognise the increase in the Capital Financing SSA of £0.3 million announced in the final RSG settlement.
51. I would stress that this does not jeopardise revenue spending in other areas, because this RSG would not be available to the County Council unless it takes up the credit approvals. Equally, unless the County Council takes the course of action that I propose, it will not be able to afford to take up the credit approvals, and so will lose very substantial opportunities for capital investment.

What decisions are required?

52. The County Council is asked to:
- a. endorse the proposals for the corporate Capital Programme 2001-02 (Appendix A) and approve the earmarked capital spending in 2001-02 (Appendix B);
 - b. approve the reserve list proposed by officers as shown in Appendix A, and delegate the authority to release schemes to the Chief Executive and the County Treasurer;
 - c. approve the policy of earmarking RSG in respect of new credit approvals to Capital Financing, either from 2001-02 or 2002-03 onwards (paragraph 50); and
 - d. agree that Village Hall Grants be funded from the Education Committee's revenue budget from 2002-03 onwards, with a base transfer of £50,000 from the Capital Financing Items Budget (paragraph 30).

DAVID CHALKER
County Treasurer

Unpublished documents relied upon in the production of this report:	NONE
Environmental impact of the recommendations made in this report:	NONE

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