

<b>Item No.</b> 4.2	<b>Classification:</b> Open	<b>Date:</b> 23rd February 2005	<b>Meeting Name:</b> Council Assembly
<b>Report Title:</b>		Capital Budget Proposals 2005/08	
<b>Ward(s) or Groups affected:</b>		All	
<b>From:</b>		Executive	

## RECOMMENDATIONS

1. That Council Assembly:
  - i. Note the forecast capital resources available to fund new General Fund schemes for the period 2005/8.
  - ii. Approve funding for the schemes identified as Priority 1 in the report for the period 2005/8, in the sum of £11.8 million.
  - iii. Approve funding for those schemes identified as Priority 2 for 2005/6 only, totalling £45m. The other Priority 2 schemes in 2006/2008 will be considered by the Executive in June and September 2005.
  - iv. Earmark £20m of forecast capital receipts to meet new school build/enhancements required in the medium term, pending the outcome of feasibility studies and confirmation of rising school numbers.
  - v. Agree in principle to earmark £30m of future capital resources required for 2007/10 to enable the council achieve the Decent Homes standard.
  - vi. Allocate up to £7m of prudential borrowing to fund invest to save schemes.
  - vii. Approve the HRA resources and investment proposals for 2005/6, noting the level of over-programming.

## BACKGROUND INFORMATION GENERAL FUND

2. The last report Council Assembly approved the Capital Investment Strategy on 18 February 2004. The Executive last received a report on the capital programme on 27 July 2004 which gave approval to capital schemes for 2004/05 to the value of £35.1m
3. This report outlines the locally generated capital resources (capital receipts) available for distribution and invites members to award funding to capital schemes for the financial years 2005/08 on the basis of

anticipated

resources.

4. A further report in June 2005 will analyse the 2004/05 outturn position and update the overall forecast capital resources position for 2005/8.

## CAPITAL PROGRAMME PROPOSALS

5. After taking into account resources required to meet the current approved capital programme, locally generated capital resources to fund new schemes are anticipated to be £104.3 m based on projections of capital receipts available over the next three years profiled in Table 1 below as follows:

Table 1

Financial Years:	£ m
2004/05 b/f	44.0
2005/06	41.5
2006/07	9.8
2007/08	9.0
<b>Total resources available</b>	<b>104.3</b>

6. Although this represents a significant level of resources, it must be set in the context of considerable capital spending pressures, including, for example, meeting Decent Home Standards which will require a £30m contribution from the General Fund capital resources for the period 2007/10, and meeting the medium term need for new school build and enhancements in order to address rising school numbers.
7. In view of the capital pressures the council faces in the medium term and the risk of slippage on capital receipts, it is strongly recommended that not all of forecast resources are committed at this point and that some forecast receipts are held in reserve to address these medium term pressures – specific recommendations are contained later in this report. In addition, Officers will also look at alternative sources of funding, such as Local Improvement Finance Trusts, where these offer viable options to meet capital requirements and the Executive will receive a report on such initiatives as and when proposals have been worked up.
8. As the level of capital resources is not sufficient to meet the totality of service departments' capital aspirations, it has been necessary to adopt a method of prioritisation. The bids have been prioritised into 3 categories: 1 to 3 (1 = highest). Table 2 below describes the priority categories:

Table 2

Priority	Description
1	Unavoidable schemes due to existing contractual and statutory obligations e.g. DDA works

2	Schemes which deliver existing policy commitments
3	Schemes that fulfil Council priorities but require a policy decision

9. For Priority 1 schemes (£11.8 m Appendix A ) the Council Assembly is asked to give approval to commit funding to these schemes for the period 2005/8 since they are in effect unavoidable or consequences of previous decisions.
10. Priority 2 schemes fall within policy decisions already made by Members although allocations have not been awarded to specific schemes. As the total estimate of Priority 2 schemes (£102m Appendix B) would consume more than the remaining resources available, the Executive recommends that Council Assembly only approve resources for 2005/6 (£45m). Priority 2 schemes for 2006/07 will be considered at the Executive meetings in June and September 2005 alongside an update on the forecast resources available.
11. The Executive has received reports on the significant pressures facing the Primary school block in particular which will require a combination of new school build and enhancements in the medium term in order to meet projected rising school numbers and suitability needs. The demand on resources will be considerable in the medium term and will only partially be met by government funding (DfES). The Council Assembly is therefore recommended to earmark £20m of forecast capital resources at this point while Officers consider the outcome of feasibility studies, confirm projections of rising school numbers, and identify priorities and options for the Executive to consider later in the year.
12. In order for the Decent Homes standard to be met, a £10m contribution from forecast General Fund capital resources will be required each of the three years in the period 2007/10. The Council Assembly is therefore recommended to earmark £30m of forecast resources identified for 2005/07 for Decent Homes for commitment in the period 2007/10.
13. In summary, the Council Assembly is asked to approve the allocation of capital resources for Priorities 1&2, as follows:

Table3- Proposed Capital Allocations – New Resources (Paras 9-12)

<b>Service</b>	<b>2005/6</b>	<b>2006/7</b>	<b>2007/8</b>	<b>Total 2005/8</b>
	£'000	£'000	£'000	£'000
Education	5,796	281	281	<b>6,358</b>
Environment & Leisure	33,595	1,000	1,000	<b>35,595</b>
Housing	3,344	0	0	<b>3,344</b>
Regeneration	5,560	1,900	1,750	<b>9,210</b>

Social Services	250	0	0	<b>250</b>
Strategic Services	2,260	0	0	<b>2,260</b>
<b>Sub-total</b>	<b>50,805</b>	<b>3,181</b>	<b>3,031</b>	<b>57,017</b>
<b>Schools sufficiency</b>			<b>20,000</b>	<b>20,000</b>
<b>Decent Homes</b>			<b>30,000</b>	<b>30,000</b>
<b>TOTAL</b>				<b>107,017</b>

14. Although this allocation marginally exceeds the forecast of resources available for 2005/08 (£104.3m), only £10m will be required to be spent in this period for Decent Homes. For Priority 3 schemes (£26m Appendix C), Council Assembly is not asked to commit any funding at this point. The Executive will receive a further forecast of capital resources at its meetings in June and September and consider whether there are sufficient resources allocate to Priority 3 schemes, together with any new proposals, along with 2006/07 allocations for Priority 2 schemes.

## HRA

15. Housing Revenue Account

Anticipated resources available to support the Housing Investment Programme in 2005/6 are shown in Appendix D.

The Government support that has been allocated will be used to support the Housing Investment Programme, details of which are given in Appendix E. The Government funding will be used to support a range of items within the programme.

It should be noted that the Housing Investment Programme exceeds the anticipated resources by £21.697m (20.6%) as is normal at the start of the financial year and has been allowed in previous years for Investment projects. Housing is therefore confident that there will not be any overspend in the financial year 2005/6.

For clarity, the Council Assembly is asked to note that the £1.124m Gypsy Site Refurbishment Grant proposal includes the General Fund allocation of £0.344m (Travellers' sites) in Appendix B and that the £4.706m Housing renewal scheme includes the £3m allocation in Appendix B.

## PRUDENTIAL BORROWING

16. The Council Assembly is reminded that the use of capital resources may include the use of up to £7m of prudential borrowing. The Council Assembly is recommended to consider the use of this resource for invest to save schemes, such as the desktop PC replacement proposal, as part of the Council's efficiency programme.

17. The Audit Commission considers the use of the prudential code for maximising capital resources good financial management. Use of the prudential code is also likely to be linked to the 'Use of Resources' judgement as part of CPA 2005. On this basis, and together with the proposal to consider using prudential borrowing for invest to save bids, provision has been retained within the 2005/6 budget proposals.

## FINANCIAL IMPLICATIONS

18. The capital resources for the period 2005/6 available to fund new capital proposals are given in para 5 above. There are no adverse revenue implications arising from the schemes recommended for approval at this point. Future meetings of the Executive will receive an update on forecast capital resources including the outturn for 2004/5 at it's June meeting.

## REASONS FOR LATENESS

19. The report is late owing to the time taken to clarify details contained in each capital proposal.

## REASONS FOR URGENCY

20. It is a requirement of Financial Standing orders that the executive recommends to council assembly it's capital spending plans.

## BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Details of capital schemes	Town Hall	Dennis Callaghan 020 7525 4375

## AUDIT TRAIL

Lead Officer	Eleanor Kelly	
Report Author	Simon Hughes	
Version	Final	
Dated	18 February 2005	
Key Decision	Yes	
Consultation with other Officers/Directorates/Executive Member		
Officer Title	Comments Sought	Comments Included
Borough Solicitor and Secretary	No	No
Chief Finance Officer	Author	Author
Chief Officer Team	Yes	Yes
Executive Member	Yes	No
Date Final Report sent to Constitutional Support	N/A	