

CABINET

19 SEPTEMBER 2007

CAPITAL PROGRAMME 2007/08 TO 2012/13

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

CAB1371: 2006 Asset Management Plan, 13 December, 2006

CAB1458: Non Housing Property Conditions Survey, 30 May 2007

CAB1484: Capital Strategy and Programme 2007, 17 July 2007

EXECUTIVE SUMMARY:

This report provides an update on the capital programme for the period from 2007/08 to 2012/13. The programme for the current year has been revised with some £1.731m being rescheduled into the future and an overall reduction in the programme over the 6 year period of £0.273m bringing it to £57.894m in total.

In addition, capital growth bids amounting to £1.343m, have been identified for the General Fund. This does not represent a complete list of capital growth bids for the 2008/09 budget setting; simply a list of items that are currently known and quantifiable. These are presented for information in advance of the consideration of the budget. There remain a number of potentially significant items that are currently unquantified.

There are two items however, that are considered to be urgent with requests to be added to the capital programme as supplementary items; these are the Hockley Viaduct and the Winnall Moors project, the detail of each is to be considered elsewhere on this agenda.

The main sources of funding for the current programme are from balances accumulated from capital receipts and from the Major Repairs Allowance. Any proposed capital growth would need to be funded either from new sources of capital receipts, from balances accumulated within the Major Investment Reserve, or from borrowing.

**RECOMMENDATIONS:**

1. That Cabinet approves the revised cash flow for schemes in the 2007/08 capital programme.
2. That Cabinet notes the early indications of capital growth bids which will be considered as part of the overall budget setting for 2008/09, of which 2 schemes are considered to be urgent with the details presented elsewhere on this agenda requesting supplementary approval.

## CABINET

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### CAPITAL PROGRAMME 2007/08 TO 2012/13

#### REPORT OF HEAD OF FINANCE

##### 1 Introduction

- 1.1 This report provides an update on the capital programme for the period from 2007/08 to 2012/13 which was last presented with the Capital Strategy considered by Cabinet on 17 July.
- 1.2 In addition capital growth bids that are currently known and quantifiable are provided for information although these will be considered as part of the budget setting round for 2008/09. This does not represent a complete list of capital growth bids as these will emerge during the budget setting process linked to the corporate strategy.
- 1.3 Two items however, are considered to be urgent with requests to be added to the capital programme as supplementary items; these are the Hockley Viaduct and the Winnall Moors project, the detail of each is to be considered elsewhere on this agenda.
- 1.4 Although projections are provided for 6 years, there is inevitably more certainty and ability to plan in the nearer period, whilst the later years' forecasts are useful to identify ongoing and longer term commitments and plans, as the Council continues to develop medium term financial plans.
- 1.5 Individual schemes within the Capital Programme each require appropriate approval by Cabinet or Portfolio Holders in accordance with Financial Procedure Rules before funds are committed.

##### 2 Prudential Code

- 2.1 The Council has adopted the CIPFA Prudential Code which is designed to ensure that capital investment plans of local authorities are affordable, prudent and sustainable, and due regard should be given to the Prudential Code in determining the Council's capital programme.

##### 3 Changes to the baseline Capital Programme 2007/08 to 2012/13

- 3.1 Following review the total baseline capital programme for the 6 year period, 2007/08 to 2012/13, has reduced by £0.273m from £58.167m to £57.894m. Nevertheless this remains a substantial capital programme. Appendix A provides a summary of the revised forecasts.
- 3.2 Within this the capital programme for the current year (2007/08) has been revised with some £1.731m being rescheduled into the future.
- 3.3 The interest income revenue effect of these changes is negligible.

##### 4 General Fund Growth Bids

- 4.1 Capital growth bids, which are currently known and quantifiable are provided at Appendix B. More information is provided below:

#### ***Corporate Priority – Economic Prosperity***

- 4.2 **Tourist Information Centre (TIC) Refurbishment (£0.050m):** Refurbishment of TIC to replace worn existing shopfittings, improve sales through merchandising layout/display fittings to help offset running costs, and meet customer and stakeholder expectations for providing efficient and welcoming service.

***Corporate Priority – High Quality Environment***

- 4.3 **Abbey Gardens public toilets (increased by £0.100m to £0.250m in 2007/08):** Project for the refurbishment and improvement of the public conveniences in Abbey Grounds, incorporating all facilities into one location on the site and relocating the gardeners' facilities. The cost estimate for this project is higher originally anticipated.
- 4.4 **Replacement enveloping machine in the post room (£0.023m):** The enveloping machine located in the post room is over 10 years old and becoming increasingly unreliable and will not be supported in the future. This bid would allow for the purchase of a new more flexible machine which would better meet the Council's needs.
- 4.5 **Replacement dehumidifier for the museum store (£0.005m):** The Bar End store was built in 1983 and has been occupied by Museums from that date and used for the storage of archaeology archives from sites excavated in Winchester and the district. The store's dehumidifier, which functions to prevent the humidity levels in the store becoming too high with consequent damage to the archive, has now worn out and needs replacing.
- 4.6 **Parchment Street Art Commission (£0.015m):** Commissioning of a new artistic feature for the junction of Parchment and St George's Streets to encourage footfall in these shopping streets and so support the local retailers following reversal of traffic in Parchment Street.
- 4.7 **Winchester High Street (£0.500m):** Potential contribution towards refurbishment of the Winchester High Street pavements.
- 4.8 **Hockley Viaduct (£0.500m):** Proposal to undertake a rolling programme of progressive repairs to help avoid further deterioration of the structure. CAB1509 elsewhere on this agenda refers.
- 4.9 **Winnall Moors (£0.050m):** Proposal to provide match funds for the Winnall Moors Heritage Lottery Project over 5 years, which would help to secure approximately £950,000 of other external funding to the project. CAB1511 elsewhere on this agenda refers.

***Corporate Priority – An Efficient and Effective Council***

- 4.10 **Westgate museum major roof repairs (£0.100m):** Within recent months it has been ascertained that the lead roof covering and associated viewing platform to the Westgate Museum is in need of replacement. Provisional Estimates for the replacement of the lead roof and viewing platform and associated works are £100k. The museum which is owned by WCC is Grade 1 listed and also a Scheduled Ancient Monument.

5 **Items Not Included**

- 5.1 As noted in previous reports, there is no forward programme for major (capital) repairs to Council owned buildings (other than for Council housing). However condition surveys are underway for a number of operational buildings and the results should be available for consideration prior to the next budget being set.

- 5.2 Guildhall Community Facilities – there is provision of £1m within the programme for works to be funded from the Bapsy bequest but no provision is made for additional improvements to facilities that may be required as part of any scheme. It is likely that this project will be taken forward as part of the wider New Offices project.
- 5.3 Museums Storage Relocation – there is no provision for the costs of relocating the collection from Hyde Historic Resources Centre. The Cabinet meeting on 17<sup>th</sup> July, 2007 (CAB1493) deferred a decision and requested the presentation of alternative options and costs.
- 5.4 New Offices – although there is provision for some initial fees in connection with this project the full costs are not provided for. At present work is in hand to draw up a detailed estimate of costs associated with this project, including maintenance costs for the existing offices if they are retained.
- 5.5 Silver Hill – any effect of the proposed redevelopment is not reflected in the figures, although these would be subject to re-imburement by the developer.

## 6 Funding

- 6.1 The funding assumptions for the baseline capital programme are provided in Appendix C. The funding for proposed growth items would need to be identified.
- 6.2 Capital Receipts are one of the main sources of funding for capital expenditure over the period of the capital programme. Capital receipts can be generated from the sale of surplus general fund properties and land and there is an assumption within the projections that receipts will be available from such sales. In assuming that capital receipts will be used to fund new commitments / growth items care must be taken to ensure that the receipts are secured prior to the spending commitment being made.
- 6.3 The Major Investment Reserve is the principal reserve used for supporting the Budget; both Revenue and Capital. Although any deficit in the Revenue budget would have the first call on these funds, the financial strategy supports the use of this reserve to fund the capital programme. The balance on this reserve is projected to be almost depleted by the end of the Strategy period.
- 6.4 There are various reserves earmarked for specific purposes available to fund the relevant elements of the capital programme e.g. the Bapsy Bequest, the Car Park Property Maintenance Reserve, the ICT Strategy Reserve and these will be substantially depleted within the strategy period.

## 7 OTHER CONSIDERATIONS:

### 8 Corporate Strategy (Relevance To):

- 8.1 The capital programme has been developed to support the delivery of the Council's corporate strategy. The updated baseline and the capital growth bids are presented here for consideration against the Council's current corporate strategy and priorities.

### 9 Resource Implications:

- 9.1 Funding for the various schemes within the capital programme is identified in the appendices. Much of the funding comes from capital receipts and the Major Investment Reserve where balances have been accumulated specifically to continue with a high level of capital spend over the next few years. As these balances are depleted alternative sources of funding will have to be identified. This is most likely to be through borrowing.

- 9.2 The impact of loss of investment interest on the funding used for the proposed growth has been taken account of in the revenue projections. Any borrowing requirement would incur interest charges in addition to repayment of the principal to be repaid from the revenue account.
- 9.3 Generally, there are sufficient internal resources to ensure that the capital programme can be delivered. Where this is not the case details will be included in specific reports on each project.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Resources Directorate and other Divisions.

APPENDICES:

Appendix A: Capital Programme 2007/08 to 2012/13 updated

Appendix B: Quantifiable Capital Growth

Appendix C: Capital Programme Financing

Appendix D: Major Investment Reserve and Capital Receipts Balances

Baseline Capital Programme - Revised - September 2007

Corporate Priority		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<u>Economic Prosperity</u>		£000	£000	£000	£000	£000	£000
GF	Car Parks	336	200	180	180	180	180
GF	Tower Street	1,130	100	100	100	0	0
GF	Tower Street car park	0	100	0	0	0	0
GF	Guildhall Capital Repairs	42	0	0	0	0	0
GF	Discovery Centre Fit out	52	0	0	0	0	0
GF	Business Improvement District (BID)	20	0	0	0	0	0
		1,580	400	280	280	180	180
<u>Safe &amp; Strong Communities</u>							
HRA	Major repairs	3,326	3,326	3,326	3,326	3,326	3,326
HRA	Re-investment in affordable housing	1,000	1,000	1,000	1,000	1,000	1,000
GF	Renovation Grants - Mandatory	521	450	450	450	450	450
GF	Renovation Grants - Discretionary	170	170	170	170	170	170
GF	Affordable Housing (SHG)	0	0	0	0	0	0
GF	Affordable Housing/Regeneration	1,000	1,000	1,000	1,000	1,000	1,000
GF	Affordable Housing/funded by Developers' contributions	1,300	200	200	200	200	200
GF	CCTV	0	250	0	0	0	0
GF	Open Space & Recreation Facilities	268	150	150	150	150	150
GF	Capital grants	171	80	80	80	80	80
GF	Guildhall Community Facilities	0	500	500	0	0	0
GF	Outdoor Sports Centre - Bar End	1,010	0	0	0	0	0
GF	Knowle Community Building	50	350	0	0	0	0
GF	Rural Transport	20	50	50	50	50	50
GF	Groundworks in Jewry Street	180	0	0	0	0	0
GF	Winchester Discovery Centre	340	0	0	0	0	0
GF	Magdalen Hill Cemetery Improvements	40	0	0	0	0	0
GF	City Museum	4	0	0	0	0	0
GF	RPLC Capital Repairs	113	50	0	950	0	0
GF	Meadowside	116	0	300	0	0	0
		9,629	7,576	7,226	7,376	6,426	6,426
<u>High Quality Environment</u>							
HRA	Sewage Treatment Works	416	200	200	200	200	200
GF	Public Conveniences	20	0	20	0	0	0
GF	Replacement Bins	225	10	10	10	10	10
GF	Abbey Gardens Public Toilets	150	0	0	0	0	0
GF	Denmead Environmental Improvements	62	0	0	0	0	0
		873	210	230	210	210	210
<u>An Efficient &amp; Effective Council</u>							
GF	ICT Equipment	244	200	200	250	200	200
GF	ICT E-govt	631	953	320	0	0	0
GF	Digital Print Software	25	0	0	0	0	0
GF	Financial System	0	40	110	0	0	0
GF	Purchase of property	3,437	0	0	0	0	0
GF	West Wing	364	0	0	0	0	0
GF	Abbey House	40	200	190	0	0	0
GF	Avalon House	150	0	0	0	0	0
GF	City Offices	28	20	20	20	20	20
GF	New Offices - fees	50	260	200	0	0	0
		4,969	1,673	1,040	270	220	220
<b>Total</b>		<b>17,051</b>	<b>9,859</b>	<b>8,776</b>	<b>8,136</b>	<b>7,036</b>	<b>7,036</b>
of which:							
GF	General Fund	12,309	5,333	4,250	3,610	2,510	2,510
HRA	Housing Revenue Account	4,742	4,526	4,526	4,526	4,526	4,526

## Capital Programme Review - September 2007 - Quantifiable Capital Growth

## Appendix B

Corporate Priority		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
		£000	£000	£000	£000	£000	£000
<i><u>Economic Prosperity</u></i>							
G							
F	Tourist Information Centre Refurbishment	50	0	0	0	0	0
		50	0	0	0	0	0
<i><u>High Quality Environment</u></i>							
G							
F	Replacement of Enveloping Machine in Post Room	0	23	0	0	0	0
G	Replacement dehumidifier for the museum store at Bar						
F	End	5	0	0	0	0	0
G							
F	Parchment Street Art Commission	15	0	0	0	0	0
G							
F	Hockley Viaduct	0	100	100	100	100	100
G							
F	Winchester High St	0	250	250	0	0	0
G							
F	Winnall Moors Project	0	10	10	10	10	10
G							
F	Abbey Gardens Public Toilets	100	0	0	0	0	0
		120	383	360	110	110	110
<i><u>An Efficient &amp; Effective Council</u></i>							
G							
F	Westgate Museum Major Roof Repairs	0	100	0	0	0	0
		0	100	0	0	0	0
<b>Total</b>		<b>170</b>	<b>483</b>	<b>360</b>	<b>110</b>	<b>110</b>	<b>110</b>
of which:							
G							
F	General Fund	170	483	360	110	110	110
H							
R							
A	Housing Revenue Account	0	0	0	0	0	0



**CAPITAL PROGRAMME - FINANCING**

<b>BASELINE PROGRAMME FINANCING</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Major Repairs Allowance	3,326	3,326	3,326	3,326	3,326	3,326
Capital grant	262	270	270	270	270	270
DEFRA grant	52	0	0	0	0	0
Developers contributions	1,418	200	200	200	200	200
Car Park Property Reserve	891	0	0	0	0	0
ICT Strategy Reserve	633	0	0	0	0	0
Open Space Provision Reserve	1,060	100	100	100	100	100
Grants Reserve	15	0	0	0	0	0
Bapsy Bequest	0	500	500	0	0	0
Capital Receipts for General Fund	6,788	3,288	2,660	3,010	1,741	1,000
Capital Receipts for HRA	1,371	1,245	1,200	1,200	1,200	1,200
Winchester Town - Cemeteries	40	0	0	0	0	0
Major Investment Reserve	1,185	930	520	30	199	940
External Contributions (BID)	10	0	0	0	0	0
<b>Total</b>	<b>17,051</b>	<b>9,859</b>	<b>8,776</b>	<b>8,136</b>	<b>7,036</b>	<b>7,036</b>

**MAJOR INVESTMENT RESERVE AND CAPITAL RECEIPTS BALANCES SEPTEMBER REVIEW 2007 - baseline position**

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
<b><u>MAJOR INVESTMENT RESERVE</u></b>						
Balance B/F	(5,539)	(3,673)	(2,743)	(2,223)	(2,193)	(1,994)
Approved contributions to Revenue	681	0	0	0	0	0
Financing of Capital Programme	1,185	930	520	30	199	940
<b>Total PROJECTED FUND</b>	<b>(3,673)</b>	<b>(2,743)</b>	<b>(2,223)</b>	<b>(2,193)</b>	<b>(1,994)</b>	<b>(1,054)</b>
<b><u>CAPITAL RECEIPTS</u></b>						
Balance B/F	(8,702)	(6,293)	(4,610)	(3,600)	(2,240)	(2,149)
Asset Sales (RTB)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Pooling	1,500	1,500	1,500	1,500	1,500	1,500
Asset Sales (Other)	(1,950)	(150)	(150)	(150)	(150)	(150)
Financing of Capital Programme	8,159	4,533	3,860	4,210	2,941	2,200
Capital Receipts re growth items in 2007/08	(3,300)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)
<b>Projected total</b>	<b>(6,293)</b>	<b>(4,610)</b>	<b>(3,600)</b>	<b>(2,240)</b>	<b>(2,149)</b>	<b>(2,799)</b>