

Executive

16 February 2009

Report of the Director of Resources

Capital Programme Budget – 2009/10 to 2013/14

Summary

1. This report presents the current position of the 2009/10 – 2013/14 capital programme following this years Capital Resource Allocation Model (CRAM) process. A three year capital programme was set for 2008/09 to 2010/11 in line with the minimum requirement however to facilitate long term planning and highlight the medium term funding pressures faced, the capital programme budget has moved to a five year timeframe setting out the capital spending plans of the Council up to 2013/14.
2. This report considers the current capital receipts position of the Council and how best the existing receipts position and other resources can be used to achieve the Councils objectives.

Background

3. This report is part of the suite of reports outlining the Council’s spending and funding plans for future years and as such should be read in conjunction with the Revenue Budget report and the Treasury Management Strategy and Prudential Indicators report, both of which are on this agenda. These reports are inter-related and take account of the recommendations made in this report.
4. The current 3 year capital programme was approved by Council on 21st February 2008 to run between 2008/09 and 2010/11. Following Monitor Two, approved by the Executive on 20 January 2009, the capital programme for 2008/09 – 2010/11 stands at £189.094m financed from £156.409m of external funds and £32.685m of capital receipts. The capital receipt projections over the next 3 years forecast a capital receipts surplus of £3.804m by 31st March 2011 including the application of the reclassified PFI funds of £4.032m. The figures used in this table were calculated at 2 December 2008. Table 1 summarises the funding position on the capital programme from 2008/09 as at Monitor 2.

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | Total |
|----------------------|---------------|---------------|---------------|---------------|--------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Gross Capital | 60.537 | 59.803 | 47.954 | 12.274 | 8.526 | 189.094 |

| Programme | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|----------------|
| Funded by: | | | | | | |
| Supported Borrowing | 7.463 | 9.354 | 10.282 | 0.000 | 0.000 | 27.099 |
| Grants and Contributions | 34.653 | 36.356 | 24.988 | 0.000 | 0.000 | 95.997 |
| Prudential Borrowing | 3.580 | 1.137 | 7.796 | 12.274 | 8.526 | 33.313 |
| Total Non Corporate Funding | 45.696 | 46.847 | 43.066 | 12.274 | 8.526 | 156.409 |
| Funding to be Financed from Capital Receipts | 14.841 | 12.956 | 4.888 | 0.000 | 0.000 | 32.685 |
| Expected Capital Receipts | (7.740) | (12.560) | (6.572) | 0.000 | 0.000 | (26.872) |
| Receipts b/fwd (surplus)/deficit | (9.617) | (2.516) | (2.120) | (3.804) | (3.804) | (3.804) |
| Receipts c/fwd (surplus)/deficit | (2.516) | (2.120) | (3.804) | (3.804) | (3.804) | |

Table 1 – Capital Programme Funding and Receipts Position

5. The make up of the current approved 2008/09 – 2010/11 capital programme can be summarised in to 3 key elements:
 - Fully Funded (by Government Departments) - £113.603m
 - Political Imperatives - £63.598m
 - Rolling Programmes - £4.870m
 - Small schemes with CYC funding - £7.023.

6. The fully funded schemes make up the majority of the capital programme and include the:
 - Local Transport Plan (£19.84m)
 - Department for Children, Schools and Families (DCSF) (£67.48m)
 - Housing Revenue Account Business Plan (£23.98m).

7. The political imperative schemes are made up of 4 major projects and account for £63.593m, the majority of which are funded from capital receipts. These schemes, some of which have already started are summarised below highlighting the budgeted spend between 2008/09 and 2012/13:
 - York Pools – £8.524m (£6.490m from capital receipts)
 - Administrative Accommodation - £39.898m (£11.302m capital receipts)
 - West Side of York Secondary School Review - £13.808m (£5.143m capital receipts)
 - Museums - £1.363 (£1.363m from capital receipts).

8. There are currently 6 rolling programme schemes funded entirely from capital receipts, costing £4.870m over the next 3 years. These include:
 - Highways Resurfacing and Reconstruction £3.223m

- City Walls £0.220m
- Property Repairs Backlog £0.502m
- Disabled Support Grant £0.3m
- Community Equipment Loans Store £0.315m
- Special Bridge Maintenance £0.300m

9. The above analysis illustrates that the majority of the Councils capital receipts are already committed to schemes that could not easily be reduced or reprioritised.

Consultation

10. The CRAM process invited bids from the departments asking them to put forward their main capital priorities as identified by their asset management plans which are aligned to the Councils Corporate Strategy. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Analysis

Capital Receipts Position

11. As highlighted in paragraph 4 Table 1 the overall capital programme as reported to the Executive on 20 January 2009 was in a surplus position of £3.804m. The Executive approved the use of £4.032m reclassified PFI funds as part of the 2007/08 Capital Programme Outturn report to reduce the current and future year deficits caused by back to back build and disposals.
12. As part of the CRAM process officers from Property Services carried out an assessment of the Councils assets that are surplus to requirements. Following a number of years of rationalisation of Council assets, that allowed property and buildings to be freed up for reinvestment, officers have at this time been unable to identify any additional assets that are surplus to requirements.
13. In addition, officers have carried out a detailed review of all approved asset sales to ensure the projected sale value and timings are reasonable. This exercise has resulted in a number of revisions to the asset values resulting in a decreased capital receipts surplus position of £2.466m.
14. The decrease is attributable in the main to the removal of the Barbican Auditorium and downwardly revisions of a number of individual assets to reflect the state of the property and development market.
15. The overall surplus position of £2.466m is based on asset sales of £25.563m being achieved in the years set out in Table 2. As part of the detailed assessment of the current approved asset sales which considered the reasonableness of receipts being received at their budgeted value and at the projected completion date

officers considered the associated risk of each individual asset. This assessment aimed to establish if the receipt in question could potentially be received later than currently estimated or at a value less than budgeted. For each asset a classification which represented the risk (1. 'considerable certainty achieved', 2. 'sale progressing' and 3. 'at risk'.) was assigned for both the value and completion date. Table 2 summarises the value of the receipts currently approved that property services officers have categorised into the respective yellow and red risk classifications.

| | Risk Colour | 2008/09 £m | 2009/10 £m | 2010/11 £m | 2011/12 £m | 2012/13 £m | Total £m |
|--|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Forecast Receipts | | 5.932 | 8.359 | 11.272 | 0.000 | 0.000 | 25.563 |
| Value of receipts at risk – timing only | Sale progressing | 3.000 | 5.125 | 0.000 | 0.000 | 0.000 | 8.125 |
| | At risk | 0.344 | 0.000 | 0.000 | 0.000 | 0.000 | 0.344 |
| Value of receipts at risk – value only | Sale progressing | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | At risk | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Value of receipts at risk – value & timing combined | Sale progressing | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | At risk | 1.000 | 2.500 | 11.272 | 0.000 | 0.000 | 14.772 |
| Total value of receipts at risk | Sale progressing | 3.000 | 5.125 | 0.000 | 0.000 | 0.000 | 8.125 |
| Total value of receipts at risk | At risk | 1.344 | 2.500 | 11.272 | 0.000 | 0.000 | 15.116 |
| Combined Total value of receipts at risk | | 4.344 | 7.625 | 11.272 | 0.000 | 0.000 | 23.241 |

| | | | | | | | |
|--|---------------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| Total value of receipts not at risk | Considerable certainty achieved | 1.588 | 0.734 | 0.000 | 0.000 | 0.000 | 2.322 |
| Total Value of receipts | | 5.932 | 8.359 | 11.272 | 0.000 | 0.000 | 25.563 |

Table 2 – Forecast Receipts and associated risks

16. Table 2 highlights that £15.116m of capital receipts currently allocated to fund the existing approved capital programme are projected to be received over the course of 2008/09 – 2010/11 but, are considered to be ‘at risk’ from a timing or value perspective. The highest level of capital receipts in a single year are expected in 2010/11 at a level of £11.272m. All of these asset sales are considered to be in the ‘at risk category’.
17. In addition £8.125m of capital receipts projected to be received over the next two years have been classified as ‘sale progressing’. It should be noted that although these sales are progressing, sufficient certainty is not associated with each disposal for them to be classified as ‘considerable certainty achieved’.
18. Officers currently project that these asset sales will be achieved, however consideration will need to be given to funding the capital programme from additional revenue contributions or to decreasing the capital programme to a level which funding permits if the asset sales are not realised. The timing of the largest value of capital receipts in 2010/11 will allow time for officers to give consideration to alternative options if the asset sales in this year are not realised.
19. It is the Director of Resources view that given the current economic position, it would not be prudent to plan to allocate any further capital receipts to new schemes. The Director of Resources considers that the £2.446m “surplus” referred to earlier in this report should not be allocated, and should be treated in effect as a form of contingency against some of the currently assumed capital receipts not being achieved.
20. Schemes with earmarked funding sources will be monitored on a scheme by scheme basis with funding surpluses or shortfalls not being included in the main programme funding position.

The 2009/10 CRAM Process

21. The CRAM process invited bids from the departments asking them to put forward their main capital priorities. The CRAM process ensures that all bids received for capital funding address the aspirations of the Corporate Strategy with each proposal addressing at least one corporate priority. The capital schemes put forward for consideration are derived from the service and area asset management

plans which look at the capital needs and requirements of the service. All schemes that have progressed through for further consideration in this report have demonstrated through the CRAM process that they directly contribute toward the achievement of the Corporate Strategy.

22. A total of 65 bids were received (including individual housing scheme bids). Of these bids, 40 are fully funded from external sources, 6 are rolling programme bids, with the remaining 19 bids seeking additional discretionary resources over and above those already approved in the Capital Programme. In total, requests that would increase the capital programme by £128.725m (£91.745m excluding Highways R&R optimal bid) have been made, requiring an additional £49.282m of capital receipts.

Summary of Bids

23. The request for £49.282m is distorted by a number of bids. Annex A sets out all the bids made along with narrative describing each individual bid.
24. By removing the Highways R&R Halting Deterioration Proposal call on receipts (£29.078m), the total call on capital receipts over and above what is currently approved in the programme stands at £20.204m. In addition, the Access York Phase 1 scheme (Total scheme cost £24.085m with a capital receipts requirement of £3.030m) will allow the disposal of Askham Bar park and ride site, which on the assumption of it being a back to back sale will contribute to the funding of the project. Any cost of the new scheme over the amount that could be financed from the receipt will be met from LTP funding. Removing the capital receipts requirement of this project on the assumption the receipt is attributable to fund this scheme (as without it the asset will not be available for disposal), the projected call on capital receipts will be £17.174m.
25. The 2009/10 – 2013/14 CRAM process has introduced a ranking system using high, medium and low classifications to assign a level of priority to individual scheme bids. Two key assumptions form the basis of this ranking methodology, firstly the need for rolling programmes remains a high priority in the same way they were on their original inception into the programme and secondly, that any schemes that are legislative requirements will be ranked as high. Using this methodology the Capital Asset Management Group (CAMG) has categorised the bids which have requested new or additional funds beyond the level which is currently approved and the results are set out in Table 3. The figures in the table are the Council funding requirement and in many cases not the total cost of each scheme.

| Rolling Programme Scheme | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 | Rank |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| Disability Support Budget (Soc Serv) | 10 | 20 | 130 | 140 | 150 | 450 | High |
| Community Equipment Loans Service (Soc Serv) | | | 105 | 105 | 105 | 315 | High |

| | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| Highways Resurfacing and Reconstruction (City Strat) | 250 | 500 | 1,250 | 1,250 | 1,250 | 4,500 | High |
| City Walls Rolling Repair (City Strat) | 23 | 23 | 90 | 78 | 78 | 292 | High |
| Property Repairs Backlog 09/10 only (Chief Execs) | 385 | | | | | 385 | High |
| Bridge Maintenance (City Strat) | 75 | 100 | 200 | 200 | 200 | 775 | High |
| Property Repairs Backlog 10/11 – 13/14 only (Chief Execs) | | 300 | 300 | 300 | 300 | 1,200 | Med |
| Sub Total | 743 | 943 | 2,075 | 2,073 | 2,083 | 7,917 | |
| | | | | | | | |
| New Schemes requiring CYC receipts funding | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 | Rank |
| Disabled Facilities Grant (Housing) | 422 | 475 | 475 | 475 | 475 | 2,322 | High |
| Crematorium Mercury Abatement (Neighbourhood Services) | | 840 | | | | 840 | High |
| Millfield Lane Community Sports Centre (Leisure) | 200 | | | | | 200 | High |
| St Clements Hall Refurbishment (Chief Execs) | 144 | | | | | 144 | High |
| York Explore Centre Phase 1 (Leisure) | 200 | | | | | 200 | High |
| Public Footpath, Rawcliffe No 1 - Riverbank slip (City Strat) | 81 | | | | | 81 | High |
| EcoDepot Security Gate/Reception (Neighbourhood Services) | 222 | | | | | 222 | High |
| River Bank Repairs (Chief Exec) | 400 | | | | | 400 | High |
| Contingency (Corporate) | 300 | | | | | 300 | High |
| Sub Total | 1,969 | 1,315 | 475 | 475 | 475 | 4,709 | |
| | | | | | | | |
| Replacement of Lighting Columns (City Strat) | 100 | 200 | 200 | 200 | 200 | 900 | Med |
| River Bank Repairs (Chief Execs) | 717 | 516 | 537 | | | 1,770 | Med |
| St Georges Field Car Park Maintenance (City Strat) | 190 | | | | | 190 | Med |
| War Memorial Gardens (Leisure) | 35 | | | | | 35 | Med |
| Mansion House- Security Improvements (Chief Execs) | 28 | | | | | 28 | Med |

| | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|---------------|-----|
| Manor School Demolition (Chief Execs) | 1,000 | | | | | 1,000 | Med |
| York Explore Centre Phase 2 (Leisure) | | 500 | | | | 500 | Med |
| Sub Total | 2,070 | 1,216 | 737 | 200 | 200 | 4,423 | |
| | | | | | | | |
| Parkside Commercial Centre - Demolition (Chief Execs) | 60 | | | | | 60 | Low |
| Mansion House – External Repairs (Chief Execs) | 65 | | | | | 65 | Low |
| Sub Total | 125 | 0 | 0 | 0 | 0 | 125 | |
| | | | | | | | |
| Total | 4,907 | 3,474 | 3,287 | 2,748 | 2,758 | 17,174 | |

Table 3 – Summary of Bids Requesting Capital Receipt Funding

Detailed Bid Analysis of High Priority schemes

26. Details of the bids ranked as ‘high’ in the table above are set out in the following paragraphs with the schemes judged to be of the highest priority within this classification being discussed first. For each bid a summary is provided along with the consequences of not proceeding with the scheme.

Rolling Programme Bids

Disability Support Budget (£450k) - High

27. This scheme provides discretionary assistance for disabled customers who need financial help. The grants help disabled people and parents with disabled children to adapt their homes to continue living there and maintain their independence. The assistance helps with the shortfall between the cost of the eligible works and the mandatory disabled facilities grant to purchase a more suitable property where it is more cost effective and relocation expenses. This budget has not seen any inflationary increase and given the relationship with the Mandatory DFG budget there is a need to increase funding for this area to meet the demand.

Community Equipment Loans Service (£315k) - High

28. This scheme enables people with complex and disabling conditions to be safely cared for in their own homes avoiding unnecessary admissions to Hospital or Nursing care. It provides support to carers to enable them to continue to care for their partner/relative. In addition it contributes to the costs of specialist Occupational Therapy assessments (£15k) and funds the purchase and maintenance of major items of equipment to aid daily living (£90k).

Highways Resurfacing and Reconstruction (£4,500k) - High

29. A programme for the resurfacing and reconstruction of the City's roads and footways has been established to halt deterioration of the assets and maintain them in the best condition possible with the anticipated level of capital funding available. Although the proposed allocations in this rolling programme bid are insufficient to fund the long term maintenance of the highway infrastructure they are considered to be the minimum required based on what is affordable. This bid seeks to maintain the historic level of funding over the five year budget period over and above the Local Transport Plan settlement.

City Walls Rolling Repair (£292k) - High

30. This bid continues the rolling programme, established in 1991, of essential repair and restoration to the City Walls. The bid will pay for works which will ensure the continued structural integrity and stability of the Walls and hence public access and enjoyment of this unique asset. In 2009-10 the programme will form Phase 2 of the assessment and restoration of the section of wall adjacent to Monk Bar Garage and will continue the restoration of areas where the York stone flags and copings on the walkway have failed.

Property Repairs Backlog (09/10 only) (£385k) - High

31. The current 3 year capital programme of £0.6M (£0.2M for 2009/10) for urgent repair works is inadequate for level of urgent and essential works required as shown by the 2007/8 performance indicator for the value of repairs backlog which is now in excess of £20.5M (£3.6M excluding schools). These repairs are needed to carry out Health and safety work only to Council buildings to safeguard delivery of services. The bid is for work on land and buildings which have been identified for retention only through the Service and Area Asset Management Planning. This bid is for one year only to supplement the amount already allocated as there is need for additional capital for the proposed works. It is the intention to submit an annual capital bid from now on to cover new urgent repairs identified during each year.

Bridge Maintenance (£775k) - High

32. A programme of bridge restoration work was compiled from detailed Principal Inspections carried out before 1998. Since then a limited number of schemes have been completed with funding provided through this budget until it ceased some years ago. There are schemes remaining from the original programme and further General Inspections since 1998 have identified additional work to the highway structures. The Principal Inspections commenced in 2008/09 will provide a future programme of work to be funded from this capital bid. It is proposed to restore and waterproof Melrosegate Bridge, over the Sustrans cycle track, in 2009/10.

New Bids

Disabled Facilities Grant (£2,375k) - High - Rank 1

33. This scheme allows payment of mandatory disabled facilities grants in line with statutory and Council policies (Housing Grants, Regeneration and Construction Act 1996 as amended and Grants policy - June 2008). The DFG rolling programme enables disabled people to remain at home and maximise their independence.
34. The non-funding of this scheme could prevent the Council fulfilling its legal duties. By not funding the scheme additional pressure will be placed on existing stretched resources and the ability to deliver timely and quality services will be a risk leading to an increase in complaints. Failure to provide this statutory service could leave the Council open to legal challenges. There will be a detrimental impact on other services resulting in additional financial burden in areas such as nursing and residential care. The DFG service has been assessed on the Council risk register as having a gross score of 25 and a net score of 21, which means the failure of the service has been categorised as having a catastrophic impact, as vulnerable and disabled customers are put at risk by living in dangerous conditions.

Millfield Lane Community Sports Centre (£200k) - High - Rank 3

35. This bid is a contribution towards one part of a two part project which will see over £1M invested in community and school sports facilities in the Acomb North/ Poppleton area. This is the council's contribution to a project which includes land purchase, ground works (to create new grass pitches) and construction of changing rooms. This is a partnership between Manor school, the Football Foundation and City of York Council which is costed at £550k. The second part of the project will provide a club house, and pitch extension and improvement on Poppleton Juniors FC's land further out along Millfield Lane costing £500k.
36. The projects together will provide significantly improved community and school pitches, training facilities and changing accommodation. Active York have identified a shortage of quality junior playing fields in the West of the city. This project will not only provide new pitches but will raise the quality of existing ones and the ancillary facilities will make them attract a broader range of users. It will also ensure that Manor school can cater for the level of community use their new site will attract.
37. Without this scheme the school will have restricted community use as the school has been designed with only 1 set of changing rooms which is sufficient for PE teaching but not for community club use by adults and juniors at the same time. This bid will ensure that the school can host local competitions and best use can be made of their excellent new facilities by the community. Any scope for the further expansion of Poppleton Juniors FC rests on the success of this bid and the partnership funding it will bring in. Without this funding the local area will not get the additional pitches which are much needed by Poppleton Tigers and the local community as a whole and which have been identified within the city's open spaces assessment.

38. This scheme also requests that the use of funding from prudential borrowing of £170k be granted. The £170k would be repaid by the assigning of a long term lease to the school over a duration of 15 years once the site has been acquired.

St Clements Hall Refurbishment (£144k) - High - Rank 3

39. The scheme is to refurbish and convert a redundant church hall to provide a high quality community resource which will improve the quality of life for people who live in the Micklegate area and also for disadvantaged groups elsewhere in York. The scheme is in response to the Council's approved policy (October 2007) on the Community Management and Ownership of Council Property Assets. A Community Asset Fund was set up by Central Government to encourage schemes such as this and a successful bid has been made to this fund. The total cost of the scheme which meets the identified community needs is just under £1.1m and the government has made an award of £977k (the maximum size of any award is £1m). The Council therefore need to contribute the balance of the cost to ensure a viable scheme can be delivered. The Council will be retaining ownership of the building and will be granting a 99 year lease to the St Clements Hall Preservation Trust on completion of the works so that they can manage and run this community facility.
40. If this contribution is not made by the Council then the external funding will not be provided as the government will consider that any reduced scheme will no longer meet the outcomes which were identified in the original bid. Insufficient funds would therefore mean no viable scheme could be delivered and so:
- the Council would be left with a dilapidated building with no funds to repair
 - the building would be a health and safety risk
 - the community would not have use of a valuable resource
 - the reputation of the Council with the Government to adequately resource and deliver schemes may be affected.

York Explore Centre Phase 1 (£200k) - High - Rank 3

41. This scheme is for the transformation of York Library into an Explore Centre (in line with strategy set out in the 2005 Library Scrutiny report and as part of the cultural quarter development) in partnership with Adult and Community Education and is phase 1 of 3 phases. Phase 1 is the transformation of the ground floor and creation of 3 learning rooms and a café. The service has realised £100k through the sale of old stock and has just received £200k in external funding which must be spent in 2009/10. Capital match funding of £200k is sought to maximise the existing £300k of available funding. Officers in LCCS are working with architects and conservation officers to prepare a plan for the building that offers the transformation to an explore centre whilst retaining its architectural integrity.
42. Not proceeding with the scheme will seriously jeopardise the partnership with the external funding organisation which may lead to the withdrawal of the offer. This funding is crucial to the success of transforming York Library into an Explore

Centre which will enable the Council to complete phase one which will deliver real visible improvement and 1 million visitors a year.

43. Failure to progress with the scheme would severely limit the Council's ability to provide community based learning in the city centre and damage the long term strategy of developing explore centres. Usage of York Library would continue to decline. Increased use at Acomb explore centre clearly demonstrates that there is a great need for spaces where the community can come together. This has led to a wider range of people using the centre and supports inclusion strategies, particularly in respect of people with learning difficulties and disabilities. In addition, provision of ESOL programmes in the city centre has proved popular.

Public Footpath, Rawcliffe No 1 - Riverbank slip (£81k) – High - Rank 6

44. The failed bank is on the outer radius of a bend in the river and is subject to the classic erosion scenario. Eddy currents from recessed bank profiles/lack of tree protection have assisted the bank to erode sufficiently to expose a slippage plane in the clay and allow it to slump. The path is temporarily closed for safety reasons. The authority has a duty to maintain the path, if necessary, by repairing the riverbank. Council engineers recommend the riverbank be rebuilt by installing a 13m long gabion wall extending beyond the initial 6m long collapse to pick up further bank slippage. Gabion life should be at least 30 years. Expected construction time is 6 weeks (in dry summer if possible). The repair is estimated at £81k which includes construction costs, reinstatement, welfare, fees and licenses. Members should be aware that 15m downstream of the mooring the path is also showing signs of erosion and could also be lost within next 5 years. Planting rows of willow spalls directly in the slippage may control future erosion rate and stabilise the bank.

River Bank Repairs - (£400k) – High - Rank 6

45. In 2002 the Council's Engineers undertook a survey of the riverbanks of the Ouse and Foss Basin, detailing a programme of works over a 10 year period. From that survey three main areas were identified as requiring stabilising work in 5 years time; east bank between Scarborough Bridge and Clifton Bridge, east bank between Lendal mooring and Marygate Landing and Foss Basin island. These works are required now. Scarborough to Clifton Bridges section has suffered collapse in places with large holes appearing which have been fenced off. New areas of collapse could happen at any time and it has been fortunate that no known injuries have been sustained by the public, especially as the cycle track runs close by. Lendal mooring to Mary Gate is a continuation of the piling work undertaken earlier at Lendal mooring, which a lack of funds prevented completing. This stretch is severely undermined by erosion and work is required urgently to avoid collapse and damage to visitor moorings. Foss Basin island is in danger of collapse which could take the lock and sluice with it and drain the Foss.

Eco Depot Security Gate (£222k) – High - Rank 6

46. The Scheme is intended to provide a new build permanent security gate house and Reception at the point of entry to the EcoDepot site. This will seek to address a concern raised by Neighbourhood Services Departmental Management Team and highlighted in the recently commissioned Freight Transport Association report in respect to security and safety of our staff, visitors and the site.
47. The scheme will provide a permanent purpose built structure at the point of entry to the EcoDepot site. This will enable the proper and safe management of pedestrian and vehicle traffic onto the site for our staff and visitors. Failure to provide this facility could result in a significant safety or security breach and has potential to harm the reputation of the business or risk prosecution by the Health and Safety Executive.

Contingency Fund (£300k) – High – Rank 9

48. Consideration should be given to creating a corporate capital contingency budget. This would be in effect approved by Council but would then be managed by the Executive. It would allow for small ad hoc schemes to be dealt with by the Executive, and allow for any minor items of an urgent nature to be approved in year.

Proposals to Fund the Programme – General Fund

49. The funding requirement from council resources for the period 2009/10 – 2013/14 for all schemes ranked as high (including rolling programme schemes) is £10.586m. Table 4 sets out the consolidated high rank schemes.

| Rolling Programme Scheme | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 | Rank |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| Disability Support Budget (Soc Serv) | 10 | 20 | 130 | 140 | 150 | 450 | High |
| Community Equipment Loans Service (Soc Serv) | | | 105 | 105 | 105 | 315 | High |
| Highways Resurfacing and Reconstruction (City Strat) | 250 | 500 | 1,250 | 1,250 | 1,250 | 4,500 | High |
| City Walls Rolling Repair (City Strat) | 23 | 23 | 90 | 78 | 78 | 292 | High |
| Property Repairs Backlog 09/10 only (Chief Execs) | 385 | | | | | 385 | High |
| Bridge Maintenance (City Strat) | 75 | 100 | 200 | 200 | 200 | 775 | High |
| Sub Total | 743 | 643 | 1,775 | 1,773 | 1,783 | 6,717 | |

| New Schemes requiring CYC receipts funding | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 | Rank |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| Disabled Facilities Grant (Housing) | 422 | 475 | 475 | 475 | 475 | 2,322 | High |
| Millfield Lane Community Sports Centre (Leisure) | 200 | | | | | 200 | High |
| St Clements Hall Refurbishment (Chief Execs) | 144 | | | | | 144 | High |
| York Explore Centre Phase 1 (Leisure) | 200 | | | | | 200 | High |
| Public Footpath, Rawcliffe No 1 - Riverbank slip (City Strat) | 81 | | | | | 81 | High |
| EcoDepot Security Gate/Reception (Neighbourhood Services) | 222 | | | | | 222 | High |
| River Bank Repairs (Chief Exec) | 400 | | | | | 400 | High |
| Contingency (Corporate) | 300 | | | | | 300 | High |
| Sub Total | 1,969 | 475 | 475 | 475 | 475 | 4,709 | |
| Total | 2,712 | 1,188 | 2,250 | 2,248 | 2,258 | 10586 | |

Table 4 – Schemes Ranked as High Priority by CAMG

| | | | | | | | |
|--|--|-----|--|--|--|------------|-------------|
| Crematorium Mercury Abatement (Neighbourhood Services) | | 840 | | | | 840 | High |
|--|--|-----|--|--|--|------------|-------------|

Crematorium Mercury Abatement (£840k) - High - Rank 2

50. In addition, to table 4 above, the 2009/10 to 2013/14 CRAM process also identified that the Crematorium Mercury Abatement scheme is a high priority. This scheme is to install mercury abatement equipment to the crematorium to meet legislative requirements. By 31 December 2012 mercury emissions must be reduced from UK crematoria by 50%. The equipment removes gaseous mercury from flue gases as well as a range of other pollutants.
51. The risk of not proceeding with this scheme are that the authority would face prosecution or being served with a direction to comply if abatement is not undertaken by the due date. There are further risks of delaying work, as there are believed to be only 4 engineering firms capable of undertaking the work, and to date very few authorities have undertaken the work to comply. This may cause

market capacity problems in the run up to the compliance date and cause costs to inflate.

52. It is proposed at this stage to defer the bid of £840k for the Crematorium. Options to fund this scheme in future years could be to use prudential borrowing at revenue cost of £106k per annum for 10 years. Officers need to carry out further work to establish if additional revenue income could be generated to help offset the growth pressure placed on revenue budgets. A second alternative would be to fund the scheme via a leasing agreement, although this funding method as it stands at present would not be as cost effective as prudential borrowing (leasing would cost £108k per annum) it would have potential VAT benefits (the capital expenditure would not count against the Councils partial VAT exemption limit).
53. A separate report will be brought to Members in respect of approval of the Mercury abatement scheme in the future.
54. The additional funding requirement for fully externally funded schemes for 2009/10 to 2013/14 is £46.372m. These external sources of funding are from borrowing, government grants or other external contributions. They support schemes which are ongoing in the capital programme or where bids have been made to external suppliers. Table 5 sets out the additional funding that has been added to the capital programme for 09/10 to 13/14.

| Additional external scheme funding | 2009/10 External Growth £000 | 2010/11 External Growth £000 | 2011/12 External Growth £000 | 2012/13 External Growth £000 | 2013/14 External Growth £000 | Total External Growth £000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| Highway Resurfacing & Reconstruction (Structural Maint) | 1,482 | 1,605 | 1,605 | 1,605 | 1,605 | 7,902 |
| Local Transport Plan (LTP - Integrated Transport) | -1,482 | -1,606 | 3,485 | 3,485 | 3,485 | 7,367 |
| Road Safety | | | 42 | 42 | 42 | 126 |
| Modernisation of Local Authority Homes | 55 | 131 | 1,378 | 1,412 | 1,358 | 4,334 |
| Repairs to Local Authority Properties | -759 | -937 | 701 | 729 | 689 | 423 |
| Assistance to Older & Disabled People | -25 | -27 | 300 | 300 | 300 | 848 |
| Housing Grants & Associated Investment (Gfund) | | | 1,000 | 1,050 | 1,100 | 3,150 |
| MRA Schemes | 798 | 1,134 | 5,976 | 5,466 | 6,591 | 19,965 |
| Disabled Facilities Grant (Gfund) | -221 | -274 | 375 | 375 | 375 | 630 |
| Milfield Lane Comm Sports Centre | 350 | | | | | 350 |
| York Explore Centre | 300 | | | | | 300 |
| St Clements Hall Refurbishment | 977 | | | | | 977 |
| | 1,475 | 26 | 14,862 | 14,464 | 15,545 | 46,372 |

Table 5 – Additional External Scheme Funding

55. The funding requirement of £10.586m over the next 5 years as seen in table 4 is to be funded from council resources.
56. As capital receipts are not readily available to fund the capital programme going forward, an alternative funding source needs to be found if the Council is to continue to be able to support annual ongoing capital schemes such as Highways Maintenance, Bridge Maintenance and Disabled Facility Grants. Without additional funding the Capital Programme over the 5 year period is potentially significantly in deficit, alternatively there will need to be significant reductions in the annual capital programmes. Based upon current projections, revenue contributions to capital will need to increase on an annual basis over the next 5 years to ensure the Capital Programme is sustainable.
57. Revenue contributions will be needed to ensure the Highways R&R programme is not reliant on capital receipts funding. Table 6 therefore shows a separate revenue contribution line to highlight the funding need of the Highways R&R scheme. In addition Table 6 shows the revenue contribution required for the capital programme excluding Highways R&R starting at a level of £125k per annum in 2009/10 rising to £500k per annum. This results in funding of £8.750m being available over a 5 year time frame.
58. If this alternative source of funding were to be accepted, it would provide the required funding needed to ensure the Capital Programme is sustainable and the Council is able to continue providing current levels of funding for Highways Maintenance, Bridges and the Disabled Facilities Grant schemes. Clearly the overall position will need to be reviewed on an annual basis and the capital receipts will need to continue to be tightly monitored to update the latest position regarding capital receipts.
59. The proposal to use the revenue contributions to fund the new schemes is made on the assumption that the current level of projected receipts of £25.563m is achieved as set out in table 2. Clearly if the projected level of receipts is not achieved action will be required to overcome the resulting funding shortfall. This action could take the form of either increasing revenue contributions to meet any capital receipts shortfall or reducing the capital programme schemes funded by capital receipts. The ability to contribute revenue funds over and above the level currently being proposed as part of this report would have a significant impact on revenue budgets and would potentially place pressure on other Council service areas. A third option would be to consider not progressing with some of the new proposals and using the revenue contributions allocated to the funding of new schemes to fund the existing approved schemes instead.

| | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| General Revenue Growth | 125 | 500 | 500 | 500 | 500 | 2,125 |
| Highways Revenue Growth | 125 | 250 | 250 | 250 | 250 | 1,125 |
| Base Brought Forward | 0 | 250 | 1,000 | 1,750 | 2,500 | 5,500 |
| Revenue Contribution Carried Forward | 250 | 1,000 | 1,750 | 2,500 | 3,250 | 8,750 |

Table 6 – Funding from Revenue Contribution

60. Table 7 sets out the mechanism by which this would work.

| | 09/10 £000 | 10/11 £000 | 11/12 £000 | 12/13 £000 | 13/14 £000 | Total £000 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue Contribution Carried Forward | 250 | 1,000 | 1,750 | 2,500 | 3,250 | 8,750 |
| Projected Capital Spend | 2,712 | 1,118 | 2,250 | 2,248 | 2,258 | 10,586 |
| In year deficit (revenue implications to be covered from treasury management budget) | 2,462 | 118 | 500 | (252) | (992) | 1,836 |

Table 7 – Revenue Funding Proposal and in year implication on Treasury Management Budget

61. Table 7 highlights that the revenue funds built up over 5 years are not sufficient to cover the funding requirement of the programme resulting in an overall shortfall. The budget being set is based on the assumption that the overall position will continue to be monitored with a view to bringing it in balance in the medium term.
62. It is proposed that in addition to revenue contributions being used to fund the capital programme consideration is given to utilising any in year revenue under spends to support the capital programme in future years thus enabling the overall capital funding deficit to be reduced. This position will be monitored, on an ongoing basis, with a view to ensuring the overall 5 year position is broadly in balance.

63. Any short term shortfall in funding will be met from prudential borrowing. The revenue implications of any in year shortfall due to timing differences will be borne by the treasury management budget.

Housing Revenue Account (HRA)

64. The HRA element of the proposed housing capital programme is requesting a revenue contribution of £111k from HRA balances for 2009/10. Members do as with all the above bids have the option of funding from available resources or reducing the proposed schemes.
65. The HRA funding position for 2010/11 onwards is not yet known. Indicative figures for 2010/11 suggest that sufficient funding will be received to enable the delivery of the programme to the size as set out in this report. No indicative figures for further years have been released or can be estimated as a review of the funding formula is currently taking place for 2011/12 onwards. The proposed programme put forward in this paper is made on the assumption that a similar level of funding to that currently being received will be granted. Funding at a level lower than that of present will require a scaling back of the currently proposed programme of works.

Summary of Analysis

66. The outcome of the proposals outlined in paragraph 20-63 above are illustrated in Table 8 which sets out the proposed capital budget for each directorate over the next 5 years and in detail in Annex B.

| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | Total £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Chief Executives | 2,456 | 200 | 0 | 0 | 0 | 2,656 |
| Children's Services | 30,848 | 20,181 | 0 | 0 | 0 | 51,029 |
| City Strategy | 8,130 | 7,825 | 6,672 | 6,660 | 6,660 | 35,947 |
| City Strategy (Admin Accommodation) | 5,926 | 10,187 | 12,274 | 8,526 | 0 | 36,913 |
| Housing | 8,721 | 9,121 | 10,205 | 9,807 | 10,888 | 48,742 |
| Leisure & Heritage | 6,294 | 1,100 | 0 | 0 | 0 | 7,394 |
| Neighbourhood Services | 908 | 133 | 0 | 0 | 0 | 1,041 |
| Resources | 300 | 0 | 0 | 0 | 0 | 300 |
| Social Services | 407 | 351 | 235 | 245 | 255 | 1,493 |
| | | | | | | |

| | | | | | | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Total by Department | 63,990 | 49,098 | 29,386 | 25,238 | 17,803 | 185,515 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|----------------|

Table 8 Proposed Capital Programme 2009/10 – 2013/14

67. It is another tight capital budgeting round, with the availability of additional capital receipts being limited. For the first time a “risk factor” has been introduced where capital receipts are concerned. There has also been the inclusion of a Capital Contingency budget to provide funding for any minor ad hoc schemes that may emerge. Due to the current economic climate and the state of the property market there is a risk to capital receipts not being received in a timely manner. Therefore, the prudent approach has been taken not to allocate surplus capital receipts at this time.
68. Therefore in order to support the capital programme going forwards over the next 5 years the Council will need to consider increasing revenue contributions to capital.

Corporate Priorities

69. The CRAM process ensures that all bids received for capital funding address the aspirations of the Corporate Strategy with each proposal addressing at least one corporate priority. The capital schemes put forward for consideration are derived from the service and area asset management plans which look at the capital needs and requirements of the service. All schemes that have progressed through for further consideration in this report have demonstrated through the CRAM process that they directly contribute toward the achievement of the Corporate Strategy.
70. As a result of this budget round the capital investment over the next 5 years up to 2013/14 will increase by £56.958m taking the new 5 year capital programme to £185.515m. Annex B shows that 2009/10 and 2010/11 capital expenditure as per Monitor 2 stands at £107.747m, the increase to £185.515m is comprised of £56.958m growth on new schemes including £20.800m of Administrative Accommodation re-profiling. The growth in the capital programme is funded from £46.372 borrowing, government grants, external funding, whilst £10.586m is funded from the Councils Capital receipts contribution.
71. The following paragraphs set out the value of investment by the Councils current corporate priorities. It should be noted that many schemes contribute to more than one corporate priority but for the purpose of this section the priority they contribute to most has been chosen. The proposals contained in the capital programme make a major contribution to the Councils priorities and contribute to the Sustainable Community Strategy. These schemes represent major investment, which alongside the proposals within the revenue budget will tackle a range of priorities, and deliver major outcomes for the City. The impact in terms of the wider economy, infrastructure, and future prosperity of the City is significant.

72. £7.448m of schemes will contribute toward the increase use of public and other environmentally friendly modes of transport, including the LTP and public footpath repairs.
73. £15.897m of schemes are focused on improving the actual and perceived condition appearance of the city's streets, housing estates and publicly accessible spaces, including Highways R&R, St Clements Hall refurbishment and City Walls repairs.
74. £500k of schemes will increase people's skills and knowledge to improve future employment prospects, including the York Explore Centre Scheme.
75. £7.543m of schemes will improve the health and lifestyle of the people who live in York, in particular among groups whose levels of health are the poorest, including Housing Grants and Associated Investment schemes, Disable Facilities Grant Schemes and Millfield Lane Community Sports Centre Scheme
76. £25.570m of schemes will improve the quality and availability of decent, affordable homes in the city, including MRA schemes and Modernisation of Local Authority Homes
77. In addition to contributing toward the achievement of the Corporate Priorities much of the discretionary capital investment is reflective of the feedback received from the budget consultation process. The consultation process identified in the category of 'Top priorities for spending' maintaining highway and footpath maintenance at current levels, allowing for inflation as the highest priority and was voted for by 45.8% (the highest percentage of all options) and as a result the Highways Resurfacing and Reconstruction schemes received £4.5m of discretionary funding.
78. In addition, the capital programme has considerable impact on the local economy. This is of particular significant given the current economic downturn. Whilst the risks in respect of the economic downturn in terms of capital receipts have been outlined in this report, by continuing to invest in a major capital programme the Council will be making a significant contribution to the local economy. This programme ensuring significant expenditure in schemes such as highways maintenance, and bridges maintenance, schemes which all have implications in terms of supplies and employment. Further investment over the current level of £128.547m (including the Administrative Accommodation re-profiling) will see the Councils commitment to capital schemes increase by £56.958m to a level of £185.515m.. As stated in the report the capital programme proposed is not without risk but the negative impact on York in this time of economic downturn of significantly contracting the capital programme would be significant.

Implications

Financial Implications

79. The financial implications are considered in the main body of the report.

Human Resources Implications

80. There are no HR implications as a result of this report.

Equalities Implications

81. A number of schemes have specific implications for Equalities. These include the Disability Support budget, and Disabled facilities grants, assistance to elderly, housing grants, and housing repairs. The detailed equalities implications of the individual schemes will be further assessed by individual directorates once the capital programme has been approved and the schemes are further developed. Any implications will be identified in the individual schemes project plans

Legal Implications

82. The Council is legally required to set a balanced 3 year capital programme.

Crime and Disorder

83. There are no crime and disorder implications as a result of this report.

Information Technology

84. There are no information technology implications as a result of this report.

Property

85. The property implications of this paper are included in the main body of the report which covers the funding of the capital programme from the disposal of Council assets.

Risk Management

86. The risks associated with both the existing and proposed capital programme has been discussed extensively throughout this report.
87. This report highlights the challenge presented by the proposed capital programme, which includes significant level of Council driven schemes. Despite the proposed schemes being funded from revenue contributions the existing approved capital programme still places significant reliance on a small number of high value capital receipts. In addition the recent increase in the size of the programme has meant the Council has to ensure that the key skills are in place to allow the programme to be successfully delivered.
88. To mitigate the risks the capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Capital Asset Management Group (CAMG – capital programme managers along with the Capital Finance team) meets regularly to plan, monitor and review major capital schemes to ensure that all capital risks to the Council are monitored and where possible minimised.

The development of the revised CRAM process and capital strategy has put in place gate keeping controls to ensure that only projects that can be delivered are put forward for approval by the Council.

89. The use of revenue contributions are required for a balanced programme to be set and the risk associated with this means of funding is the additional pressure placed on the existing revenue budgets. This issue has been covered in detail in paragraph 58.

Recommendations

90. The Executive is requested to recommend to Council to:
- Agree to the revised capital programme of £185.515m, including specifically the inclusion in the capital programme of new schemes totalling £56.958m:
 1. the bids recommended in paragraphs 24-49 totalling £10,586m and
 2. the additional external funded schemes in paragraph 54 totalling £46,372m
 - Note the overall funding position identified in the report, which highlights a current shortfall in resources over the next five years, which the Council will need to address through increased revenue contributions in the medium term;
 - Endorse the principle of any revenue budget under spending being considered as part of outturn reports to assist in balancing the capital programme;
 - Agree the use of £170k of prudential borrowing in respect of the Millfield Lane Community Sports Centre;
 - Approve the use of £111k of HRA balances to fund the HRA capital programme elements in 2009/10;
 - Approve the full restated programme as summarised in Annex B totalling £185.515m up to 2013/14.
91. Reason: To set a balanced capital programme as required by the Local Government Act 2003.

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**Report
Approved**



Date 23/01/09

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**Report
Approved**



Date 23/01/09

Specialist Implications Officer(s)

N/a

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

2008/09 – 2010/11 Capital Budget Report
Budget Control 2008
Department EMAP Capital Monitoring Reports

Annexes

Annex A – List of Individual CRAM Bids
Annex B - Restated Capital Programme 2009/10 –2013/14