DERBY CITY COUNCIL

COUNCIL CABINET
2 OCTOBER 2007

ITEM 13

Cabinet Member for Corporate Policy

Capital Strategy 2008/9 to 2010/11

SUMMARY

1.1 This report sets out a strategy for the development of the Council's capital programme over the next 3 years. The major issues it seeks to develop are:

- linkage with the approved revenue budget strategy for 2008/09 to 2010/11
- earmarked funding of the accommodation strategy
- continuation of major schemes consistent with the Council's Corporate Plan and priorities
- active pursuit of capital receipts to maximise available resources
- targeting of any future potential Public Realm resources at programmes and strategies which are consistent with the corporate plan and priorities, including the Corporate Asset Management Plan (CAMP), subject to affordability within the revenue budget.

1.2 Subject to any issues to be raised, I support the following recommendations.

RECOMMENDATIONS

To recommend to Council …

2.1 To maintain the principles agreed in December 2006 for development of service programmes, subject to the outcomes of the Comprehensive Spending Review, and amending the allocation of 25% of schools' receipts to the schools programme generally rather than the individual school.

2.2 To agree the planned allocation of resources to the corporate capital programme, as set out in Sections 3.1 and 3.2 and Table 2, subject to receipts becoming available as anticipated, and the affordability of unsupported borrowing within the revenue budget.

2.3 To agree that £7m of capital receipts should be earmarked to enable a full refurbishment of the Council House to take place.

2.4 To agree that the total set aside for the remainder of the accommodation strategy should be increased from £10m to £25m, with the increase being funded from £4m of future potential capital receipts, £5.5m of self-financing prudential borrowing and £5.5m prudential borrowing within the Public Realm programme, including potential savings on rents.

2.5 To agree that allocations of potential Public Realm funding in future years should be determined according to the Council's corporate plans and priorities, subject to affordability within the revenue budget.

2.6 To confirm the process and timetable for taking decisions on the detailed content of the capital programme for 2008/9 to 2010/11, set out in Appendix 3.

DERBY CITY COUNCIL

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Report of the Corporate Director of Resources

Capital Strategy 2008/9 to 2010/11

SUPPORTING INFORMATION

1. Introduction

1.1 The Council's existing capital programme covers the period 2006/07 to 2008/09 and was based on the Capital Strategy agreed by Cabinet in December 2006 (attached at Appendix 2).The programme has been updated as specific decisions have been taken during 2007, with the latest monitoring report approved by Cabinet on 4 September 2007.

1.2 This report sets out the framework against which the programme is now being developed further for the period 2008/09 to 2010/11, with consultation during December 2007 and January 2008, leading up to formal approval by Council in March 2008. No major changes are proposed to the existing principles, but the approach for the next three years needs to be consistent with the Council's revenue budget strategy and to be sufficiently flexible to react to the outcomes of the Comprehensive Spending Review (CSR), which is due to be announced imminently, and will determine local authorities' revenue and capital funding from government for the 2008/11 period. The main affordability issue relates to corporate unsupported borrowing, which is being used to fund the Public Realm programme.

1.3 The capital strategy is consistent with the Council's corporate priorities for 2007-10. These are:

- Making us proud of our neighbourhoods
- Creating a 21st century city centre
- Leading Derby towards a better environment
- Supporting everyone in learning and achieving
- Helping us all to be healthy, active and independent
- Giving you excellent services and value for money.

2. Developments since approval of previous strategy

2.1 The Council has an approved capital programme of £123m for 2007/08, with indicative figures of £84m for 2008/09 and £59.7m for 2009/10. The programme includes provision for major schemes such as the Public Realm developments, a replacement Sinfin Community School and QUAD.

2.2 The Council's £17m contribution to the £22m Public Realm and Asset Management budget in 2007/08 is funded by prudential borrowing, the repayment of which is a charge on the revenue budget. If this level of contribution is to continue in 2008/09 and 2009/10, this could leave a funding gap as outlined in our revenue budget strategy that was agreed by Cabinet on 31 July 2007. It was therefore approved by Cabinet that the 2008/09 Public Realm contribution is deferred for a year to balance the budget up to 2009/10, based on current revenue budget forecasts. If actual resources in 2008/09 show an improvement on the forecast, then earmarked revenue funding of up to £2m to fund prudential borrowing could be reinstated. Future years' Public Realm spending from 2009/10 is dependent on affordability within a balanced revenue budget going forward.

2.3 The future position on capital receipts is forecast to be more favourable than previously anticipated. This is because a number of high value properties have been sold or are under offer. Approval was given by Cabinet on 31 July 2007 to appoint an additional valuer to progress complex disposals, to be funded from the additional receipts generated. Appointment to the post should allow the capital disposals to realise the receipts identified and improve future receipt levels.

2.4 As noted in paragraph 1.2, the Comprehensive Spending Review will determine revenue and capital allocations to local authorities for the 2008-11 period. It is anticipated that the extent of real terms growth will be less than in recent years, but the detailed funding arrangements will not be known until late November or early December. Our capital planning therefore needs to be sufficiently flexible to be able to react to the funding announcement when it is made. This will include the effect of supported borrowing, which in 2006/07 and 2007/08 was effectively not fully funded in Derby because we had to contribute to the protection of those authorities which were losing through grant formula changes. Supported borrowing affects mainly schools and highways schemes – the Council decided not to scale back these programmes as it would have been unfair to reduce spending in these areas purely because of the way in which they are funded. It is intended to continue this approach, unless the CSR settlement is severe enough to justify a change.

2.5 The level of prudential borrowing generated from the revenue budget forecast of unsupported borrowing and which can be afforded within the Council's balanced budget, is determined by interest rates and the period over which repayments are spread. As previously noted in the revenue budget strategy, recent rises in interest rates mean that less expenditure can be funded within the approved revenue budget of £2m. When interest rates were at 5%, around £20m capital expenditure could be afforded; this has now reduced to £19m, though interest rates continue to be volatile. It is also expected that new government regulations will require the calculation for a particular scheme to be linked more closely to the life of the asset. This may result in us being able to increase investment in long term assets such as land and buildings but reduce the ability to invest in short term assets such as additional maintenance. As a result, any Public Realm budget will probably in future have to be managed not by reference to a total capital sum – as this year – but by the revenue cost of each proposed investment – so rather than solely managing a £19m capital sum, the impact on the revenue budget of £2m would have to monitored as well. The Council has to approve its maximum level of prudential borrowing each year, together with a range of indicators relating to debt and types of borrowing and investments.

3 Development of the Corporate Capital Programme

3.1 Table 1 shows the estimated corporate capital resources available for the corporate programme. These are based on the following assumptions …

- There will continue to be a core commitment of unsupported borrowing per annum, in support of the corporate capital programme, consistent with revenue budget planning. This has previously funded £2m expenditure a year, but changes in interest rates and regulations are likely to reduce this to around £1.5m a year.

- Further funding from prudential borrowing for the Public Realm strategy is deferred in 2008/09 and then reinstated within the revenue budget from 2009/10, allowing for approximately £19m capital expenditure from 2009/10 – funded by £2m revenue - as agreed in the revenue budget strategy. As mentioned above, if actual resources for 2008/09 are an improvement on the forecast, then borrowing of up to £2m could be reinstated for 2008/09.

- The extent to which the Public Realm programme can be funded in future years is wholly dependent on achieving a balanced budget for 2009/10 and 2010/11.

- Capital receipts have only been included on a reasonably prudent basis and have been shared in accordance with the principles previously agreed. The figures include future receipts and, therefore, cannot be absolutely relied upon.

- As detailed later, the unsupported borrowing shown in table 1 includes only public realm and corporate elements. Further unsupported borrowing is planned for waste disposal and may arise in other areas where spend to save or departmentally funded schemes are approved. More details about departmental programmes are shown in section 4 of this report.

Table 1: Corporate Capital Resources Forecast – October 2007

	2007/8 £000	2008/9 £000	2009/10 £000	2010/11 £000
Capital receipts brought forward	10,619			
Unsupported borrowing:				
Core	4,178	1,500	1,500	1,500
Public Realm	10,232	4,263	21,505	19,000
Self-financing				5,500
Capital Receipts received	811			
Potential future capital receipts	4,600	1,963	2,812	
Capital Reserves	999			
Government Grant	55			
Revenue	50			
Potential corporate capital resources each year	31,544	7,726	25,817	26,000

3.2 An updated projection of existing planned corporate capital spending is summarised in Table 2. This is generally as set out in the forward capital programme approved in March 2007, updated for later changes approved by Cabinet.

Table 2: Corporate Capital Commitments and Indicative Allocations from 2008/9

	2007/8	2008/9 £000	2009/10 £000	2010/11 £000
Potential corporate capital resources each year (Table 1)	31,544	7,726	25,817	26,000
Add potential resources brought forward from previous year	0	15,153	17,381	15,618
Total potential resources for corporate programme	31,544	22,879	43,198	41,618
Previously approved schemes				
- Planned Maintenance	2,757	825	825	825
- Financial System Replacement	257			
- National Care Standards	159			
- Alvaston Park changing rooms	69			
- Quad	969			
- Flood defence fees	609	110		
- Mickleover Library	450			
- Dam and reservoir	18			
- Multi Storey Car Parks	35			
- Community centres	80			
- Chaddesden Park wheeled sports	67			
- Playground improvements	430	50		
- ICT Infrastructure	250	250	250	250
- Eagle Centre lifts	9			
Public Realm				
- City priorities	5,567	2,263	170	
- Council House refurbishment	665	2,000	5,335	4,000
- Capitalised maintenance	3,000			
- Accommodation strategy			7,000	18,000
- Neighbourhood Priorities	1,000			
- Future unallocated			14,000	18,500
Total Commitments	16,391	5,498	27,580	41,575
Potential Unallocated Surplus carried forward	15,153	17,381	15,618	43

Accommodation Strategy and Council House refurbishment

3.3 The Council's capital programme recognises the need to improve the Council's ageing building stock and progress an accommodation strategy which will place Council services in the most efficient locations to serve the public and communicate with each other. Within the overall funding for the Public Realm and Asset Management Capital Fund, supported by prudential borrowing, was £5m in 2007/08. A programme of refurbishment will commence this year on the Council House. The estimated cost of a basic refurbishment is £10-12 million, at 2005 prices. It is, therefore, proposed to set aside a further £7m of forecast capital receipts to enable a full refurbishment to take place.

3.4 There is in addition £10m already earmarked from previous capital receipts as shown in Table 2. This is committed to a refurbishment and replacement of office accommodation after a full appraisal of the options has been completed and the strategy determined. The purpose is to improve the condition of the office accommodation and improve the efficiency of the space used, so that savings can be made on running costs. If additional funding became available, this would be used to further rationalise the Council's use of existing office space.

3.5 The total cost of an effective rationalisation of office accommodation could be in the region of £25m, depending on the solution, and for which funding needs to be earmarked in the capital strategy. Depending on the outcome, it may be possible to use prudential borrowing funded from savings on rents; this could support £5.5m of expenditure. This would leave a shortfall of £9.5m. It is proposed to address this by using the balance of £4m forecast capital receipts, with the remaining £5.5m coming from Public Realm funding in 2009/10 and 2010/11. Any future receipts as a result of disposals are likely to be realised after most of the expenditure on accommodation has been incurred for logistical reasons; these would then be available for Public Realm expenditure in subsequent years. If the spending profile needed to be accelerated, then the Council House refurbishment would need to be put back to ensure a neutral impact on the budget.

Backlog of Maintenance

3.6 Our estimates show that our current backlog of maintenance stands at £109m with a number of the buildings requiring maintenance not really suitable for the purpose intended. The backlog figure is expected to rise as a result of high building inflation, continuing deterioration and better knowledge as further and more intrusive surveys are carried out. Current budgets are fully committed to the highest priority of keeping buildings open and safe and are making little impact on the overall backlog total. In the longer term, the initiatives outlined in the following paragraphs and included in the Corporate Asset Management Plan, should help reduce the backlog. However, there are some significant maintenance projects that will need to be carried out and funded in the next few years and there will be a shorter term pressure arising from work needed to implement actions identified in fire and asbestos inspections which are ongoing.

3.7 The 2006 Corporate Asset Management Plan included a strategy to reduce the maintenance backlog over a ten year period. This has been updated for 2007 and recognises that there is a gap between the total maintenance backlog and the funding available. The strategy considers other ways of tackling this problem including disposal of surplus assets, reviewing property holdings, space sharing and rationalisation to maximise use of property to release space. There is also the recognition that not all buildings need to be at condition category A and that some backlog is acceptable, for example storage buildings in parks. Disposal of surplus property with high backlogs will make a significant difference; for example the sales of St Helens House and the Roundhouse reduce the figure by £7.45m. In accordance with the Planned Maintenance Prioritisation procedure funding is being targeted at repairs with the highest condition priority, service priority and where appraisals have indicated that the building is likely to be retained. It is estimated that the total backlog of £47m on non-school buildings could be reduced by £17.4m by 2011/12 as a result of identified funding or disposals. There could be a further reduction of £9.6m, depending on the outcome of funding bids and service reviews. Schools' backlog of maintenance will be significantly reduced by the Building Schools for the Future programme and the proposed primary capital programme, alongside ongoing devolved formula capital funding.

City Centre Public Realm Strategy

3.8 An extensive programme of improvements to the city centre is now under way through the Public Realm strategy. Reports to Cabinet on 17 April 2007 and 31 July 2007 have outlined a series of schemes including improvements to East Street and the Eagle Centre Market. As noted in paragraph 2.2, the Council's contribution to the programme is funded by prudential borrowing, repaid from within the revenue budget. The approved revenue budget strategy means that, subject to an improved funding position following the Comprehensive Spending Review, there may not be a contribution to prudential borrowing in 2008/09.

3.9 The revenue budget strategy report agreed by Cabinet on 31 July 2007 noted that there is £3.07m slippage on schemes in 2007/08, together with an actual underspend of £819k. The report also noted that the list of new schemes proposed totalled £2.418m, and that this exceeded the funding available by £1.599m. This means that other schemes subject to slippage may need to be deferred until 2009/10.

Pride Park

3.10 Within the overall resources available there is a reserve from the original development of Pride Park. This stands at around £1.7m following a repayment to the East Midlands Development Agency (EMDA) in relation to the sale of the Roundhouse to Derby College. The only remaining issue concerns a water treatment plant which has high running costs and a contract which ends in December 2012. We are at an early stage of assessing the feasibility of replacing this with a permeable reactive barrier. The cost of this could be £0.5m towards the end of the strategy period, and it may be necessary to retain this from the reserve should other funding sources not be available. There should, however, be significant savings once this is running. This would need to be subject to a future business case and prioritisation alongside other schemes.

Scope for further Investment

3.11 The balance of any uncommitted potential future Public Realm funding in 2009/10 and 2010/11 would be subject to a prioritisation process based on the Council's corporate and departmental plan and priorities. There are several areas where plans for capital spending are already well advanced and require funding sources to be identified, including those where external funding is potentially available but would need match funding from the Council. These will need to be assessed alongside the other needs outlined above, such as reducing the backlog of maintenance. The revenue implications of each scheme will also need to be taken into account, so schemes will be subject to their affordability within the revenue budget.

3.12 It is proposed, therefore, to target any additional resources from potential future Public Realm funding only on these programmes and schemes, rather than seek to develop further new proposals.

3.13 Where funded service programmes include scheme proposals dependent on securing external funding rather than applying confirmed allocations, this will be separately identified and the schemes only approved in principle until funding is secured.

4. Development of the Funded Service Programme

4.1 Consistent with the principles previously agreed, funded service programmes will be financed mainly from the following resources …

- All Supported Capital Expenditure (Revenue) (SCE-R) allocations for borrowing from Government, including housing, schools, children's and adults services, highways, transport and flood defence. These will be spent on the service to which they are allocated.
- Supported Capital Expenditure (Capital) (SCE-C) grants from Government specific to service programmes.
- Earmarked proceeds of S106 receipts, subject to further procedural review around the introduction of Planning Gain Supplement.
- Other external resources and grants in so far as these are earmarked for use by that service, for example specific European and lottery funds.
- Service capital receipts available, other than those pooled for corporate reallocation.
- Contributions to service capital from within service revenue budgets, either as direct contributions or to finance prudential borrowing.
- Spend-to-save capital schemes funded through self-financing prudential borrowing.

Children and Young People - CYP

4.2 The most significant area of capital expenditure for CYP will be Building Schools for the Future - BSF - a national programme to rebuild or refurbish every secondary school in the country. Derby is expecting to receive around £150m with a further £20m for ICT; there are likely to be two new schools, which would be funded through the Private Finance Initiative - PFI -, while refurbishment of other schools would be funded through grant or supported borrowing. Cabinet has agreed to share the preparatory costs, some of which can be capitalised, between the Schools Budget and corporate reserves. Once the scheme has been fully worked up, there is likely to be an affordability gap. Options for funding this will need to be developed, taking into account guidance on what can legitimately be charged to the Schools Budget. The £150m funding referred to above would cover only educational provision; BSF presents an important opportunity to incorporate wider community facilities and services into the developments, but this would require additional resources.

4.3 The Department for Children, Schools and Families has been consulting on arrangements for schools capital funding from 2008-11. The main proposals are that:

- devolved formula capital allocations to schools would be at a lower rate for those schools which had recently been modernised

- allocations to authorities for modernisation would be proportional to the total devolved formula allocations in each authority, so condition survey data would no longer be used

- there will be a primary capital programme, with authorities each receiving a minimum £2m each year

- targeted Capital bidding would be restricted to projects meeting criteria on diversity and standards, or for authorities with few kitchens.

Detailed allocations at authority level will not be announced until the autumn, and it is unclear whether Derby would gain or lose from the proposed changes.

4.4 There are likely to be continued allocations through the Sure Start Grant as the Children's Centre programme continues to expand, but with more limited resources. The focus will, therefore, be more on extending or reshaping existing buildings in schools and elsewhere, rather than new build.

4.5 Last year's strategy agreed that the distribution of school receipts should be split 75% to the corporate programme and 25% to the individual school. However, the school concerned may have been completely rebuilt and have no immediate capital needs. It is, therefore, proposed that the 25% should be earmarked instead to the schools programme generally. The school could still be allocated some of the receipt if there was a justification.

Housing and Adult Social Services

4.6 The key priorities over the next three years are:

- implementing the Rosehill Market Renewal masterplan – we have existing funding from the Regional Housing Board, but there will be another bidding round this autumn for the next phase of the proposals
- the continuation of the five-year Estates Pride programme for Derby Homes
- meeting the government target for achieving decent homes in the private sector
- maintaining decent Council homes
- the Housing Private Finance Initiative - PFI - scheme to deliver 175 homes around the city is progressing and the contract should be signed by July 2008.

4.7 Feasibility studies will be taking place as part of the Osmaston and Derwent masterplanning exercises, but any actual housing construction will be beyond this three-year period.

4.8 Last year's strategy referred to the integration between housing and adult social care, and this is being taken forward with plans for delivering Extracare.

4.9 The allocation of housing right to buy receipts may need to be reviewed in future as other funding streams, such as the Public Sector Housing Capital Programme, are reducing.

Highways, Transport and Flood Defence

4.10 The Local Transport Plan - LTP - attracts funding from central government, with indicative allocations of around £5m each year over the next Spending Review period. This can be supplemented by reward funding depending on performance. The priorities over the next three years will be:

- Alvaston District Centre
- integrated transport schemes on the main transport corridors
- structural maintenance to roads and bridges
- area improvements.

In addition, we are likely to submit bids for additional funding for the next phase of Connecting Derby, subject to the outcome of the public enquiry, and for the London Road bridge.

4.11 Derby has also been selected by the government to submit a bid, together with Leicester and Nottingham and surrounding counties, to the Transport Innovation Fund. This is pump-priming funding available from the Department for Transport (DfT) to tackle congestion, and is generally associated with road pricing or a workplace parking levy.

4.12 The Council is developing a Highways Asset Management Plan (HAMP) in line with the expectations of the DfT. Most authorities are using the County Surveyors' Society's "Framework for Highway Asset Management", which provides the following definition for asset management:

"Asset management is a strategic approach that identifies the optimal allocation of resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers."

It is anticipated that our HAMP will be completed during 2008.

4.13 The priority projects under development in land drainage and flood defence are subject to the Environment Agency's funding approval process. Within the period covered by this strategy, it is anticipated that catchment area management plans for land drainage & flood defence schemes will lead to major capital schemes for both the Littleover and Bramble Brooks. The Regeneration & Community Department will be submitting schemes for approval to the Environment Agency following consultations and option appraisals and associated detailed design approvals.

5. Self-Financing Prudential Borrowing

5.1 In addition to the corporate programme, allocations of additional prudential borrowing may be made to support additional capital schemes on a self-financing basis. Spend-to-save schemes are those where the financing cost of the capital investment is matched or exceeded by direct revenue savings. Other self-financing borrowing may occur where financing costs are funded by contributions from existing core revenue budgets. In both cases, there is a need for a revenue budget virement from specific service department budgets to the corporate Treasury Management budget to fund these schemes. The service department retains revenue savings over the financing costs.

5.2 Table 3 sets out for information details of the self-financing prudential borrowing that has been approved for future years. This is in addition to those in progress in 2007/08. It should be noted that some of this investment replaces schemes that were originally scheduled in the capital programme as being financed from leasing, a more expensive funding route. It demonstrates that the Council has been active in using its powers under the Local Government Act 2003.

Table 3: Approved Self Financing Prudential Borrowing

Scheme	2008/9 £000	2009/10 £000	2010/11 £000	Cabinet Approval Date
Rethink rubbish	162			9 Nov 2004
Grounds maintenance	50			Various
Refuse vehicles and plant	100			Various
Street cleaning plant/equip	50			Various
Spend to Save				
Energy management	120			26 Apr 2005
Total	482	0	0	

5.3 More schemes are expected to be brought forward for approval. Self-financing schemes can be approved at any point in the financial year, on a case-by-case basis, as they are not competing for finite corporate resources. As noted in paragraph 2.5, the recent increases in interest rates will impact on the total spending which can be funded from a given amount of resources.

5.4 Departments are being encouraged as part of service savings option appraisals to consider the use of self-financing unsupported borrowing to re-shape service delivery.

6. Timetable

6.1 The timetable for review and decision-making on the capital programme is set out in Appendix 3.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Principles to Guide Development of the Capital Programme Appendix 3 – Timetable for Capital Programme Review and Approval

IMPLICATIONS

Financial

1. As set out in the report.

Legal

2. Capital expenditure that cannot be met from borrowing, capital receipts, contributions or grants has to be charged to the revenue budget. The rules governing decisions on the capital programme are set out in the Local Government Act 2003 and in regulations and guidance issued under the Act, including the Prudential Code for Capital Finance in Local Authorities issued by CIPFA. This allows for additional unsupported borrowing provided that this is consistent with the Prudential Code, particularly in terms of affordability.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. The process set out for approval is intended to deliver a capital programme that is consistent with corporate objectives and priorities.

Principles to Guide Development of the Capital Programme – December 2006

1. This paper sets out updated principles to guide in 2006 and 2007 the development of the capital programme for the period 2007/8 to 2009/10. These update those in the December 2005 capital strategy.

2. The corporate capital programme should be given priority for use of any additional borrowing capacity under the Prudential Code. This prioritises application of the additional borrowing capacity under the Code to support the General Fund for services other than schools and transport infrastructure, and other than any other services where significant earmarked resources may already be available to address priorities.

3. There will be no top slicing of the SCE-R or SCE-C allocations including those for the Schools, Children's, Transport, Housing and Adult Social Services service capital programmes. Schools SCE funding is ring-fenced. Although most other SCE allocations are, in theory, part of the 'single capital pot', in practice the encouragement that the single pot gives to pooling of resources is not borne out by the practice of Government departments. In return for retaining these resources in full, the Schools and Transport services programmes will not seek additional allocations of corporate capital resources. The other service capital programmes may still seek supplementary allocations of corporate capital resources. Housing may seek allocations as some housing capital receipts above baseline planning levels are to be made available to the corporate programme, and other services have SCE allocations that are relatively small.

4. All capital receipts will generally be reserved for allocation through the corporate capital programme, save for the following exceptions…
   - 25% of schools receipts will be earmarked for the school concerned and 75% will be earmarked for the corporate programme. Proportions in the December 2005 capital strategy will be applied for certain specific disposals already planned up to 2007/8. Children and Young People will continue to be able to bid for these resources alongside others. Proceeds from the sale of 'closed' school sites will be considered corporately.
   - Receipts from discretionary disposals of housing land will be earmarked for investment in affordable housing and regeneration, to comply with ODPM conditions. 50% will be earmarked for housing, the other 50% will be earmarked for regeneration purposes within the corporate programme.
   - Right to buy receipts will be allocated directly to the housing service up to a level that maintains in real terms the baseline set originally in previous programmes, including £200k earmarked for the accommodation element of supported housing investment within this allocation.
   - Capital receipts will generally be retained for service use where the generation of the receipt is directly and necessarily linked to a replacement investment, and confirmation through a specific Cabinet decision in each case.

Final decisions on the allocation of capital receipts will be subject to decision by Cabinet within the budget process for each year. If services are to subsequently retain any additional receipts, planning of their use in future service plans will be a general precondition for this, with any other allocations back to services being exceptional.

5. As the capital resources directly available to Social Services are relatively small, the extent of co-operation to identify and meet any identified needs should influence the decision on the scale of resources available to support the housing capital programme. There may be potential for the housing capital programme to fund additional works to further address the needs of Social Services clients, in terms of investment in housing to support clients in the community, beyond the core £200k earmarked allocation.

6. Service programmes will generally be expected to fund investment, which can be funded from savings or additional revenues that result from the investment, and additional prudential borrowing can be undertaken in such circumstances, subject to compliance with financial procedure rules. Capital funding for external trading services whose purpose is mainly commercial will be expected to be funded through this route, the borrowing being paid for through increased user charges.

7. The programme for identifying and disposing of surplus property, set out in the Asset Management Plan, will be developed robustly by the Director of Corporate Services, to make available additional capital receipts, subject to considerations of value for money in the context of the Prudential Code.

8. Specific corporate capital receipts may if necessary be earmarked to deliver specific elements in the corporate capital programme.

9. The implications for service revenue budgets will be addressed within cash limits when income-generating assets are sold.

10. To influence the content of service programmes funded by external bids, early input by members is needed, at the point at which bids are submitted. Cabinet approval for funding bids is required by the Council's Constitution, subject to compliance with financial procedure rule E12A. Service capital budget proposals should identify bidding opportunities likely to become available, and the uses to which such funding may be put. In addition to meeting corporate priorities, bids need to be framed so as to minimise pressure on corporate capital and revenue funding. Where Cabinet is asked to approve bids that were not anticipated when service capital budgets were approved, this should be identified as the availability of such funding might have influenced corporate allocations.

11. Decisions on the allocation of corporate capital resources will ultimately be taken by Cabinet and Council, but choices will be informed by professional guidance from officers. For example, officers within the corporate Asset Management Group will advise on priorities relating to the building aspects of the corporate capital programme, within the framework set by the capital strategy.

Appendix 3

Timetable for Capital Programme Review and Approval

Date	Meeting	Item
Nov/Dec 07	Cabinet members	Consider scheme priorities within the funded service element of the capital programme
14 Nov 07	Asset Management Group	Review of priorities within corporate building programme
Dec 07/Jan 08	All scrutiny members	Consider revenue and capital budget strategy, and corporate capital programme
14 Jan 08	Community Commission	Housing programme Environmental Services programme (leisure)
15 Jan 08	Climate Change Commission	Environmental Services programme (waste, parks)
21 Jan 08	Adult Services and Health Commission	Housing programme (for Supported Housing elements) Adult Social Services programme
21 Jan 08	Planning and Transportation Commission	Transport programme
22 Jan 08	Children and Young People Commission	Including schools programme
29 Jan 08	Scrutiny Management Commission	Whole programme
19 Feb 08	Council Cabinet	Approval of whole programme subject to changes from commissions, and associated prudential indicators
3 Mar 08	Council	Approval of programme