

**Meeting Of the Cabinet - 12<sup>th</sup> February 2007**

**Joint Report of the Chief Executive and Director of Finance**

**Capital Programme Monitoring and Bids for External Funding**

**Purpose of Report**

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the approval of bids for external funding.
4. To propose the "Prudential Indicators" as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.

**Background**

5. The table below summarises the current 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

<b>Service</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Sector Housing	24070	23924	22193
Other Adult, Community & Housing	7267	2919	1669
Urban Environment	25915	37776	17839
Children's Services	23207	25161	2418
Finance, ICT & Procurement	1689	588	309
Law & Property	1539	983	659
Chief Executive's	1647	671	0
<b>TOTAL</b>	<b>85334</b>	<b>92022</b>	<b>45087</b>

6. In previous years there would have been significant additions to the Capital Programme at this time as a result of the announcement of Government "Supported Capital Expenditure" (SCE) allocations for the following financial year. However, SCE allocations for Education and Social Services for 2007/08 were announced at the same time as the 2006/07 allocations, and were included in the Capital Programme following the report to Cabinet on 8<sup>th</sup> February 2006. Proposals relating to the detailed allocation of recently announced Transport capital allocations for 2007/08 are included in a separate report elsewhere on this agenda, as are proposals to update the Public Sector Housing Investment programme. Note that the overall capital programme for 2008/09 is likely to increase as extra funding becomes available.
7. In accordance with the requirements of the Financial Management Regime (FMR), details of progress with the 2006/07 Programme are given in Appendix A. It is proposed that the current position be noted.

## **Adult, Community and Housing**

### Private Sector Housing

8. To address pressures on waiting lists for Disabled Facilities Grants (DFGs), a further £0.5m can be made available from other Housing capital resources to fund increased expenditure within the current year.

It is proposed that this extra expenditure be approved and the Capital Programme be amended accordingly.

### Oak Lane Gypsy Site - Additional Plots

9. The waiting list for the Oak Lane site currently stands at 19 families, some of which have been waiting as long as five years. We are seeking funding from the Department for Communities and Local Government (DCLG) to provide three additional permanent plots within the existing curtilage of the site at an estimated cost of £115,000, to be fully funded by DCLG.

These additional plots will generate additional revenue which will help to offset future maintenance costs. The grants for Gypsy site provision will end in 2008, after which all future works will have to be funded by local authorities.

The option of transferring the ownership and / or management of the site was considered as part of a Best Value Review in 2002 and was not taken forward following consultation with site residents who were overwhelmingly against this option. Given the very low turnover on the site, the vast majority of these residents still remain.

It is proposed that the Director of Adult, Community and Housing Services be authorised to make a formal bid to DCLG, and that subject to such funding being received the project be approved and included in the Capital Programme.

### Stairlifts

10. An additional sum of £35,000 has been identified from within the Access & Systems Capacity grant allocation to fund the installation of Stair Lifts for those assessed as needing them. This investment, in line with Government directions and targets, will assist more people to remain living in their own homes.

It is proposed that this expenditure be approved and included in the Capital Programme.

Relocation of "People Using Local Services Everyday" (PULSE) Team

11. The Capital Programme currently includes the sum of £72,000 for the project to relocate the PULSE team which delivers a range of activities in the community for people with a learning disability. Following receipt of tenders, the estimated cost of the project now amounts to £96,000. The extra £24,000 required can be met from the Directorate's revenue budgets.

It is proposed that the Capital Programme be amended accordingly.

**Urban Environment**

Green Waste Collection

12. The wheeled bin Green Waste collection service was introduced to 50% of the borough in 2006-07 and involved the purchase of 50,000 wheeled bins. In order to roll out the service to the remainder of the borough, it would be necessary to purchase a further 50,000 wheeled bins in 2007-08 at a cost of £830,000, which can be funded by annual contributions from the increased Green Waste revenue budget being proposed as part of the revenue budget strategy for 2007/08.

It is proposed that subject to the increase in revenue budget being approved, this expenditure be approved and included in the Capital Programme.

Also, the Council has been allocated a Waste Performance and Efficiency Grant (WPEG) by DEFRA for 2007/08, of which the capital element amounts to £318,000. Combined with £47,000 remaining available from the 2006/07 allocation as a result of planned expenditure being funded from other sources or no longer being required, this gives a total resource availability of £365,000 for the continuing development of recycling initiatives.

It is proposed that this be used to fund the purchase of further vehicles for use in the expanded green waste collection service and that this expenditure be approved and included in the Capital Programme.

Planning and Development - Document Management

13. A key element of the online planning process is the availability of electronic images of the documentation associated with planning applications. The current system does not have the capability of managing large volumes of documents effectively and efficiently and therefore needs to be replaced with an integrated document management capability. The total capital cost of such a system is £28,000 which can be funded from this year's Planning Delivery Grant. Revenue costs can be funded from existing budgets.

It is proposed that the acquisition of the new system be approved and included in the Capital Programme.

#### Mary Stevens Park, Stourbridge

14. The Cory Environmental Trust has approved an application submitted by the Friends of Mary Stevens Park for a grant of £32,000 for:

- the restoration of Heath Pool and surrounding area in Mary Stevens Park;
- an initial hydro-geological survey;
- insertion of fountains to enhance the aeration of the pool;
- the replacement of ironwork at the perimeter to the park.

This grant will be paid to the Council, and it is therefore proposed that the grant be noted, and the scheme be included in the Capital Programme.

### **Children's Services**

#### Dormston School - Specialist Status

15. The School has recently been awarded Specialist School Status in Maths & Computing, with an associated grant of £100,000 from the DfES. Together with required sponsorship funding of £50,000 and school reserves of £300,000 this provides total resources of £450,000 for a Personalised Learning Centre that will house a new library and ICT facility along with ancillary areas.

It is proposed that the project be approved and included in the Capital Programme.

#### Youth Offending Team Infrastructure

16. The Council has been awarded a capital grant of £34,000 by the Youth Justice Board, which will be used to:

- replace a number of old PCs that are now well below the standard specification;
- install cabling & connections into the Court House and provide 2 laptops for Court Administration & Court Duty Officers' use.

This will allow staff to work more effectively, ensure that information provided to the courts will be up to date, ensure that national standards can be met, and future-proof the system for the secure e-mail requirements of the wired-up Youth Justice System.

It is proposed, that the project be approved and included in the Capital Programme.

#### Computers for Pupils

17. The Council has been awarded a grant of £152,000 under the Government's Computers for Pupils initiative for 2007/08. The aim of the funding is to improve the life chances of the most disadvantaged secondary school pupils (and their families) by providing access to ICT at home.

It is proposed that the funding be noted, and that the related expenditure be approved and included in the Capital Programme.

#### Rosewood School Relocation

18. Rosewood Special School is located on a constrained site next to Russells Hall Primary School. The school has 40 places for pupils of secondary age with emotional, behavioural and social difficulties. It would be desirable to extend capacity to 60 places to enable more young people to receive appropriate education within Dudley and reduce cost of provision in Out of Borough settings.

This could be achieved by relocating the school to the former Highfields Primary School site in Coseley. The accommodation at Highfields has sufficient space for the planned expansion of places, good access and ample parking facilities. Conversion of the former primary school to provide the secondary curriculum offers better value for money and more appropriate accommodation than Rosewood's existing site.

The new location, close to Wolverhampton and Sandwell also provides more opportunity to attract additional income should there be demand to take pupils from outside the Borough. The relocation could take place by 1 September 2007 and the total cost of conversion would be £604,000. This can be funded as follows: £69,000 from the school's delegated capital allocation; £85,000 from the school's revenue reserves; and £450,000 from existing Modernisation resources.

It is proposed that, subject to an appropriate decision by the Cabinet Member for Children's Services, the above project be approved and included in the Capital Programme.

#### Wrens Nest Primary School Replacement

19. The DfES has agreed to the Council's request for the early drawdown of £330,000 of 2008/09 Modernisation capital grant towards the costs of the Wrens Nest Primary School replacement in the light of latest cost estimates. This will enable the scheme to proceed as originally designed, and in accordance with planned timescales.

It is proposed that the extra funding be noted, and that the Capital Programme be amended accordingly.

### **Chief Executive's**

#### Dancing Cavern Project

20. "Reaching Communities" is a grant programme distributed by the Big Lottery Fund (BLF) designed to bring real improvements to communities and to the lives of people most in need.

Dudley's proposed Dancing Cavern Project under the programme is looking to build upon the success of the Leaps and Bounds Ballet-Hoo project to develop a focussed opportunity centred on the Castle and Priory Ward.

The Dancing Cavern project is a creative opportunity to engage young people and the wider community in an artistic experience to support personal development, encourage active citizens and develop stronger community relationships. It will develop a creative dance/drama piece to be performed at the Dancing Cavern at the Wren's Nest Hill site. It will engage 100 young people from the Castle and Priory ward, drawn from 'at risk' situations within the ward, including looked after children, youth offenders, excluded/suspended children, and those not in education, training or employment. It will also engage and train volunteers from the local community to become 'Life Coaches' to support the young people to re-think their lives and develop the tools to achieve necessary changes that are needed to succeed.

The project is a two-year activity that will cost £472,000 (all of which is revenue expenditure), including salaries to support project management and the costs of delivery and marketing of the activity. There is no requirement for match funding, although planning will need to be done for sustainability as part of an exit strategy.

It is proposed that the project be supported, and that the Chief Executive be authorised to make the necessary applications for funding to the Big Lottery Reaching Communities fund.

### **Urgent Amendment to the Capital Programme**

#### Brierley Hill Access Scheme Funding

21. The Department for Transport (DfT) has offered funding of £20.320m towards the Brierley Hill Access Scheme. In order to enable the required timescales to be complied with, an urgent decision (ref. DUE/80/2006) was made by the Leader of the Council in consultation with the Director of Finance on 19<sup>th</sup> December 2006 (amongst other things):

- to accept the DfT funding;
- that the Capital Programme be amended accordingly.

The detailed decision which was considered in private, is available to Members on “Members’ Portal” or on request to Richard Sanders, Democratic Services, Directorate of Law and Property on (01384) 815236 or email [richard.sanders@dudley.gov.uk](mailto:richard.sanders@dudley.gov.uk).

#### Museum Security

22. An urgent decision (ref. CE/01/2007) was made by the Leader of the Council in consultation with the Director of Finance on 17<sup>th</sup> January 2007 to upgrade the security at Dudley Museum.

The detailed decision which was considered in private, is available to Members on “Members’ Portal” or on request to Richard Sanders, Democratic Services, Directorate of Law and Property on (01384) 815236 or email [richard.sanders@dudley.gov.uk](mailto:richard.sanders@dudley.gov.uk).

### **Post Completion Review of Capital Projects**

23. The Post Completion Review required by Contract standing orders has now been undertaken for the following schemes, with a copy of the proforma summarising the review attached at Appendix B.

#### **Adult, Community and Housing**

Improving Management Information

#### **Urban Environment**

Enhancements to Bus Showcase Route 311/313 at Holly Hall, Dudley

Bus Spur Route 222 (Merry Hill to Dudley)

Bus Showcase Spur Route 19 (Halesowen to Stourbridge)

Envile Street Improvement, Stourbridge

It is proposed that these be noted.

## **The CIPFA Prudential Code for Capital Finance in Local Authorities**

24. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
25. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C.

### **Finance**

26. This report is financial in nature and information about the individual proposals is contained within the body of the report.

### **Law**

27. The Council’s budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

### **Equality Impact**

28. These proposals comply with the Council's policy on Equality and Diversity.
29. With regard to Children and Young People:
  - The Capital Programme for Children’s Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
  - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
  - There has been no direct involvement of children and young people in developing the proposals in this report.

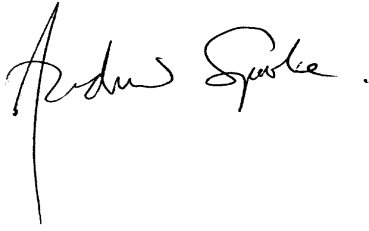
### **Recommendations**

30. That current progress with the 2006/07 Capital Programme, as set out in paragraph 2 and Appendix A be noted.
31. That the Dancing Cavern project be supported, and that the Chief Executive be authorised to make the necessary applications for funding to the Big Lottery Reaching Communities fund, as set out in paragraph 20.
32. That the results of the Post Completion Review of capital projects, as set out in Appendix B be noted.
33. That the Council be recommended:

- That the expenditure of a further £0.5m on Disabled Facilities Grants be approved, and the Capital Programme be amended accordingly, as set out in paragraph 8.
- That the Director of Adult, Community and Housing Services be authorised to make a formal bid to DCLG for funding for additional plots at the Oak Lane Gypsy Site, and that subject to such funding being received the project be approved and included in the Capital Programme as set out in paragraph 9.
- That the expenditure of £35,000 on Stairlifts be approved and included in the Capital Programme, as set out in paragraph 10.
- That the Capital Programme be amended to reflect the increased estimated cost of the PULSE team relocation, as set out in paragraph 11.
- That subject to the increase in revenue budget being approved, the expenditure on a further 50,000 wheeled bins be approved and included in the Capital Programme, and that the expenditure of the Waste Performance and Efficiency Grant on vehicles for use in the green waste collection service be approved and included in the Capital Programme, as set out in paragraph 12.
- That the acquisition of a new Document Management System for Planning and Development be approved and included in the Capital Programme, as set out in paragraph 13.
- That the grant from the Cory Environmental Trust for improvements at Mary Stevens Park be noted, and the scheme be included in the Capital Programme, as set out in paragraph 14.
- That the Personalised Learning Centre project at the Dormston School be approved and included in the Capital Programme, as set out in paragraph 15.
- That the Youth Offending Team Infrastructure project be approved and included in the Capital Programme, as set out in paragraph 16.
- That the Computers for Pupils funding be noted, and that the related expenditure be approved and included in the Capital Programme, as set out in paragraph 17.
- That subject to an appropriate decision by the Cabinet Member for Children's Services, the project to relocate Rosewood Special School be approved and included in the Capital Programme, as set out in paragraph 18.
- That the extra funding for the Wrens Nest Primary School replacement be noted and the Capital Programme be amended accordingly, as set out in paragraph 19.
- That the Urgent Amendments to the Capital Programme, as set out in paragraphs 21-22 be noted.



- That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C, be agreed.



.....  
**Andrew Sparke**  
**Chief Executive**



.....  
**Mike Williams**  
**Director of Finance**

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**List of Background Papers**

Relevant resource allocation notifications.  
CIPFA Prudential Code for Capital Finance in Local Authorities.  
Treasury Management Strategy 2007/08

## Appendix A

### 2006/07 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st December £'000	Forecast £'000	Variance £'000	Reasons for Variance
Public Sector Housing	24070	14940	24070		See Note 1
Other Adult, Community & Housing	7267	4674	7268	+1	
Urban Environment	25915	12047	26128	+213	See Note 2
Children's Services	23207	12930	23220	+13	See Note 3
Finance, ICT & Procurement	1689	1357	1689		
Law & Property	1539	1062	1539		
Chief Executive's	1647	641	1647		
<b>TOTAL</b>	<b>85334</b>	<b>47651</b>	<b>85561</b>	<b>+227</b>	

Note 1: Proposals to amend the Public Sector Housing Capital Programme are contained in a report elsewhere on this agenda.

Note 2: Includes:

- using a more expensive process for the Leasowes Culvert replacement (£25,000) following discovery of rock during digging works, which - along with the main scheme costs - can be funded from resources set aside for urgent priorities;
- extra costs of Bell St. Car Park works (£79,000) - resulting from restricted access, and more work being required than the initial concrete testing had indicated - which can be met from car parks revenue budgets;
- extra costs of the Stourbridge Ring Road Pedestrian Crossing of £191,000 associated with the need to reconstruct a longer section of the ring road retaining wall than anticipated due to structural deterioration, additional statutory plant diversions and associated impact on construction methods, upgrading of surface finishes and additional work associated with the signal arrangements to accommodate visibility requirements. This can be funded from the disposal of surplus assets originally acquired for Highways schemes together with existing revenue budgets.
- various savings and other net variances.

Note 3: Mainly relates to extra costs for the relocation of Amblecote Community Library. Does not reflect anticipated significant overspend on the Priory and Wren's Nest Children's Centre project, details of which are currently being investigated.

# Post Completion Review of Capital Schemes

## - Details required for reporting to the Cabinet

<b>Title of Scheme: Improving Management Information</b>
<b>Date of Executive / Cabinet approval: 16/03/2005</b> (i.e. inclusion in Capital Programme)
<b>Original Budget (as first reported to Executive / Cabinet):..... £ 155,000</b> Planned Completion date: 03/06
<b>Outturn Cost (please indicate if still provisional):.....£ 155,000</b> Actual completion date: 03/06
<b>Variation from Original Budget: ..... £ nil</b> Delay: 0 months
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b>  <b>Not applicable</b>
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b>  <b>To support the development and provide an infrastructure for new systems within Social Care</b>
<b>Have these Objectives been met? (If "No" please provide explanation):</b>  <b>The above objectives were met in full</b>



Signed by:

..... (Director)

Date: 15/12/06

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme:</b> Enhancements to Bus Showcase Route 311/313 at Holly Hall Junction, Dudley
<b>Date of Executive approval:</b> 08 / 09 / 2004 (i.e. inclusion in Capital Programme)
<b>Original Budget (as first reported to Executive):</b> .....£551,000 (Showcase scheme funded by Centro - £200k in 2004/5 & £351k in 2005/6)
<b>Planned Completion date:</b> 30 <sup>th</sup> June 2005
<b>Outturn Cost :</b> ..... £ 604,780 <b>Actual completion date:</b> 16 <sup>th</sup> June 2005 (Substantial completion)
<b>Variation from Original Budget:</b> .....£ 53,780 <b>Delay:</b> Nil
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> Increase in costs due to requirement for extensive manual excavation as a consequence of large number of statutory undertaker services located within the highway and footways that precluded the use of mechanical excavators.
<b>Original Objectives of Scheme:</b> Reported to the Executive on 8 <sup>th</sup> September 2004 To improve bus journey times and introduce Bus Priority Measures at and around Holly Hall junction and the Bushey Fields and Scotts Green traffic islands.
<b>Have these Objectives been met? (If "No" please provide explanation):</b> Yes, although works to Bushey Fields traffic island and Pensnett Road have been deferred pending a potential complimentary scheme which will provide similar benefits.

Signed by:



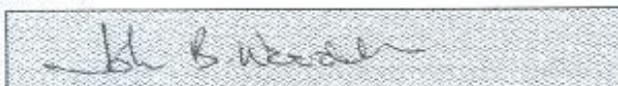
**Assistant Director (Economic Regeneration)**

**Date:** 11.10.07

## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme:</b> Bus Spur Route 222 (Merry Hill to Dudley)
<b>Date of Executive approval:</b> 17 / 03 / 2004 (i.e. inclusion in Capital Programme)
<b>Original Budget (as first reported to Executive):</b> .....£ 140,000 (This figure includes a Centro contribution of £70,000)
<b>Planned Completion date:</b> 31 <sup>st</sup> March 2005
<b>Outturn Cost</b> ..... £ 148,100 <b>Actual completion date:</b> 28 / 01 / 2005 (Substantial completion)
<b>Variation from Original Budget:</b> ..... + £ 8,100 <b>Delay:</b> Nil
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b>  Unforeseen additional works required at the individual bus stop locations along the route
<b>Original Objectives of Scheme:</b> Reported to Executive 17 <sup>th</sup> March 2004 To assist public transport operations and users and also support social inclusion and access to employment opportunities by upgrading the 222 bus service infrastructure (Merry Hill to Dudley)
<b>Have these Objectives been met? (If "No" please provide explanation):</b>  Yes

Signed by:



**Assistant Director (Economic Regeneration)**

**Date:** ..... 11 / 07 / 2005



## Post Completion Review of Capital Schemes - Details required for reporting to the Cabinet

<b>Title of Scheme:</b> Bus Showcase Spur Route 19 (Halesowen to Stourbridge)
<b>Date of Cabinet approval:</b> 09 / 02 / 2005 (i.e. inclusion in Capital Programme)
<b>Original Budget (as first reported to Cabinet):</b> .....£ 133,000 (Showcase scheme funded by Centro)
<b>Planned Completion date:</b> 31 <sup>st</sup> March 2006
<b>Outturn Cost</b> ..... (Provisional) <b>£ 164,020</b> <b>Actual completion date:</b> 28 / 07 / 2006 (Substantial completion)
<b>Variation from Original Budget:</b> ..... + £ 31,020 <b>Delay:</b> 4 months
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b>  Delay caused by manufacturer of shelters appointed by Centro not delivering to programme. This resulted in main contractor having to make extra visits to site with associated additional costs.
<b>Original Objectives of Scheme:</b> Reported to Executive 9 <sup>th</sup> February 2005 To encourage the use of public transport for local journeys by the provision of mini shelters and stop enhancements.
<b>Have these Objectives been met? (If "No" please provide explanation):</b>  Yes

Signed by:



**Assistant Director (Economic Regeneration)**


**Date:** ..... 16 / 07 / 2006

## Post Completion Review of Capital Schemes

### Details required for reporting to the Cabinet

<b>Title of Scheme:</b> ENVILLE STREET IMPROVEMENT, STOURBRIDGE	
<b>Date of Executive approval:</b> 19 / 03 / 2003 (i.e. inclusion in Capital Programme)	
<b>Original Budget (as first reported to Executive)</b> ..... £2,040,000 <b>Planned Completion date:</b> 31 / 03 / 2006	
<b>Outturn Cost:</b> ..... (Provisional) £ 1,985,300 <b>Actual completion date:</b> 30 / 05 / 2006	
<b>Variation from Original Budget:</b> ..... - £54,700 <b>Delay:</b> 2 months	
<b>Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet):</b> Delays in securing vacation of properties to enable demolition had a knock-on effect on works by Statutory Undertakers that impacted on construction programme. Imposed restrictions to traffic management proposals also resulted in extended programme. Gershon efficiency savings achieved as result of Partnering contract.	
<b>Original Objectives of Scheme (please indicate when and to whom these were reported):</b> To improve existing narrow section of the A458 providing additional carriageway with signal control at the junction with Stourbridge Ring Road. (Reported on 19 <sup>th</sup> March 2003 to The Executive)	
<b>Have these Objectives been met? (If "No" please provide explanation):</b>  YES	

Signed by:



**Assistant Director (Economic Regeneration)**

**Date:** 16.1.07

### CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* ("the Code"), which is required to be complied with as "proper practice" by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council's capital expenditure and borrowing plans in the light of resource constraints.

The remaining indicators (6-10) are primarily concerned with day-to-day borrowing and treasury management activity. These also form part of the council's Treasury Management Strategy for 2007/08 being considered by the Audit Committee on 8<sup>th</sup> February.

The proposed figures for each indicator have been developed in the light of the Council's overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Affordability;
- Prudence and Sustainability;
- Value for Money;
- Stewardship of Assets;
- Service Objectives;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council's budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council's Capital Strategy and Asset Management Plan.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2006/07, 2007/08 and 2008/09 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

#### **1. Estimated and Actual Capital Expenditure**

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.



Subject to the other proposals in this report being agreed (together with those relating to public sector housing capital expenditure contained in the relevant report elsewhere on the agenda) the proposed indicators are as follows.

	<b>2005/06</b> <b>£m</b> <b>Actual</b>	<b>2006/07</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2007/08</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2008/09</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2009/10</b> <b>£m</b> <b>Estimate</b>
Non - HRA	47.2	72.7	69.8	22.9	9.0
HRA	23.6	23.2	26.4	23.3	22.6
<b>Total</b>	<b>70.8</b>	<b>95.9</b>	<b>96.2</b>	<b>46.2</b>	<b>31.6</b>

## **2. Estimated and Actual Capital Financing Requirement (CFR)**

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	<b>2005/06</b> <b>£m</b> <b>Actual</b>	<b>2006/07</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2007/08</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2008/09</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2009/10</b> <b>£m</b> <b>Estimate</b>
Non - HRA	208.6	236.3	242.8	242.4	236.8
HRA	48.4	53.5	59.1	64.3	69.5
<b>Total</b>	<b>257.0</b>	<b>289.8</b>	<b>301.9</b>	<b>306.7</b>	<b>306.3</b>

## **3. Net Borrowing and the Capital Financing Requirement.**

In order to ensure that in the medium term, borrowing can be undertaken only for capital purposes, this indicator requires that net external borrowing does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2006/07 to 2009/10.

## **4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents**

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

There are no current proposals to undertake unsupported “prudential borrowing” in the period 2007/08 - 2009/10 to fund capital investment in addition to that previously agreed. The proposal set out in the budget strategy report elsewhere on this agenda to undertake prudential borrowing of £7.5m in 2006/07 to fund capital investment previously to be met from reserves, together with any prudential borrowing to fund the capitalised costs of Single Status back-pay, will reduce pressure on Council Tax and free up resources required to meet spending priorities.

The estimated incremental impact of Housing capital investment proposals (set out in the relevant report elsewhere on this agenda) on Housing Rents is zero. This is based on the fact that rents are determined by government rent restructuring guidance and assumes that the Council will continue to comply with this guidance. Borrowing forecasts have been set at levels which will not necessitate a rent increase above guidelines.

## 5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	<b>2005/06</b> %	<b>2006/07</b> %	<b>2007/08</b> %	<b>2008/09</b> %	<b>2009/10</b> %
	<b>Actual</b>	<b>Revised Estimate</b>	<b>Revised Estimate</b>	<b>Revised Estimate</b>	<b>Estimate</b>
Non - HRA	4.3	8.3	9.3	9.6	9.0
HRA	4.0	3.8	4.2	4.4	4.6

The increase in the Non-HRA ratio between 2005/06 and 2006/07 is almost wholly the result of the transfer of Schools funding to direct grant support via the Dedicated Schools Grant (DSG) thereby reducing the level of overall resources in the calculation. This is a purely technical adjustment and does not affect the underlying affordability of the Council's capital investment.

## 6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per. section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

It is not considered necessary to amend the Authorised Limit and Operational Boundary for 2006/07 set this time last year.

	2005/06	2006/07	2007/08 Revised	2008/09 Revised	2009/10
	£m	£m	£m	£m	£m
<b>Authorised limit for external debt:</b>					
Borrowing	n/a	535	538	537	531
Other long term liabilities	n/a	7	5	6	7
<b>Total</b>	<b>n/a</b>	<b>542</b>	<b>543</b>	<b>543</b>	<b>538</b>
<b>Operational boundary:</b>					
Borrowing	n/a	469	473	479	479
other long term liabilities	n/a	7	5	6	7
<b>Total</b>	<b>n/a</b>	<b>476</b>	<b>478</b>	<b>485</b>	<b>486</b>
<b>Actual External Debt:</b>					
Borrowing	426.0	n/a	n/a	n/a	n/a
Other long term liabilities	0.4	n/a	n/a	n/a	n/a
<b>Total</b>	<b>426.4</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## **7. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services**

This indicator is a fundamental requirement of the new system in so far as it relates to treasury management activity. The Council adopted the CIPFA *Code of Practice for Treasury Management in the Public Services* in March 2002.

## 8. Upper Limits on Fixed Interest Rate and Variable Interest Rate Exposures

These indicators relate to the percentage of net borrowing (gross borrowing less investments) held at fixed or variable interest rates, and allow the Council to manage the extent to which it is exposed to changes in interest rates. The proposed upper limit for fixed interest reflects the fact that it is possible to construct a prudent treasury strategy on the basis of using only fixed rate debt and investments, so long as the maturity dates of these debts and investments are reasonably spread. The same does not apply to variable rates where a 100% exposure could lead to significant year on year fluctuations in the cost of debt. The proposed upper limit for variable rate exposure allows for the use of variable rate debt to offset our exposure to changes in short-term rates on our portfolio of investments. This limit reduces over time as our strategy is to gradually reduce our level of investments.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %
	Revised	Revised	Revised	
Upper limit for fixed interest rate exposure	100	100	100	100
Upper limit for variable rate exposure	45	30	20	15

## 9. Upper and Lower Limits for the Maturity Structure of Borrowing

The indicator for the maturity structure of fixed rate borrowing is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years. On the basis of prudent treasury management, the following limits are proposed:

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %
under 12 months	10	0
12 months and within 24 months	10	0
24 months and within 5 years	15	0
5 years and within 10 years	25	0
10 years and above	100	40

## 10. Limits for Principal Sums Invested for Periods Longer than 364 Days

The purpose of the prudential limits for principal sums invested for periods longer than 364 days is to contain the Council's exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested. On the basis of prudent treasury management the proposed upper limit on principal maturing in any one year for sums invested for over 364 days is (as last year) £15m.