

**Draft Capital Programme:  
Proposed bids for 2010/11 for consultation**

**Cabinet**

**Date:** 9 December 2009

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**Purpose**

- This report presents a “long list” of schemes being considered for inclusion in the Council’s Capital Programme from 2010/11 to 2013/14 as the basis for consultation with stakeholders.
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**Recommendation**

That Cabinet:

- Approves the “long list” of capital scheme proposals for consultation and further prioritisation in February, following feedback through the budget consultation process, recognising that the current scale of capital proposals is unaffordable for the revenue budget over the medium-term without further re-prioritisation.
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**1 Reasons**

- 1.1 To set the context for the development of the Council’s future capital programme from 2010/11 and to present to Cabinet a “long list” of capital schemes requiring Corporate funding for the 4 years from 2010/11 through to 2013/14.

**2 Detail**

*Background*

- 2.1 The Council’s current capital programme to 2009/10 was initially agreed in February 2006 in the context of “Swindon 2010: 50 Promises”, with planned expenditure totalling £240m. Since then a number of new schemes have been introduced through an annual review process and to respond to urgent, unavoidable needs as they have arisen. In the main, these new schemes have been added without compensating reductions in the original programme.
- 2.2 The current capital programme is largely expected to be completed by the end of the current financial year. However, estimated spend in 10/11 is currently forecast at £48m, as a result of current schemes continuing into next year. Past experience indicates that this figure may well rise to around £60m - £70m by the year end, before any new schemes are added.

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Further information on the subject of this report can be obtained from Stuart Mackellar on Direct Dial No. 463300 or Email [SMcKellar@swindon.gov.uk](mailto:SMcKellar@swindon.gov.uk)

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### *Capital Funding*

- 2.3 Funding for the capital programme published in 2006 was heavily reliant on the realisation of proceeds from asset sales totalling over £100m. Although this strategy was very successful in the early years, the impact of falling land and property prices as a result of the credit crunch and the subsequent global recession, has led to a shortfall in capital receipts of around £30m. This assumed funding has had to be replaced by further borrowing, with a direct impact on the revenue budget through a required increase in the debt charges element.
- 2.4 Looking ahead to 2010 and beyond, it is inevitable that the Council's future capital programme will be more reliant on external grant support. Although it is expected that the level of grant will decline over the coming years due to the significant pressures on Government expenditure, the current level of grant supported schemes in 2009/10 exceeds £30m.
- 2.5 Against this, it is anticipated that capital receipts will not be realised in the short to medium-term at levels that have previously been possible and therefore most capital funding in the years ahead that is not supported by external grant is likely to be in the form of additional borrowing. With no national restrictions in place to limit the level of the Council's borrowing, the key determinant of the future borrowing requirement is the affordability of debt repayments on the Council's revenue budget. The medium-term revenue budget projections detailed in a separate report on this agenda have assumed that debt repayments will increase by a cumulative £1m year on year. This would fund approximately £11.75m of new capital expenditure each year. There is also the potential to include further schemes funded by borrowing that are able to attract additional income or reduce revenue costs, on an "invest to save" basis.
- 2.6 The treatment of future capital receipts will need to be determined as they arise. Although they can potentially be used to support additional capital schemes, an alternative would be to use them to repay some of the £30m additional borrowing taken out in recent years. This would help alleviate some pressure on the revenue budget by reducing debt charges back towards the expected level assumed on the 2006 Medium Term Resourcing Plan.

### *"Long List" Capital Proposals*

- 2.7 As a starting point for consultation, a "long list" of potential priority areas for investment has been developed and is detailed at Appendix 1, which sets out brief scheme descriptions and

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indicative costs. The list has been developed having regard to identified asset management needs for all services and taking account of the likely level of affordability. With the level and nature of Government grants from 2010/11 not currently known, it is assumed at this stage that all schemes identified will require Council funding, although it is possible that some will meet grant criteria and can therefore be funded externally. A summary of the “long list” proposals by theme is set out in Table 1 below.

**Table 1: Summary “Long List” Capital Proposals, Council Funded**

<b>Maintenance:</b>	<b>Total (£'000s)</b>	<b>%age</b>
Property General	6,000	10%
Play Areas	1,050	2%
Schools	220	0%
Recreation	1,479	2%
Car Parks	1,225	2%
Major Parks	200	0%
<b>Total Maintenance</b>	<b>10,174</b>	<b>16%</b>
<b>Highways:</b>		
Local Transport Plan (LTP)	10,593	17%
Highways Non LTP	10,280	17%
<b>Total Highways</b>	<b>20,873</b>	<b>34%</b>
<b>Schools Projects:</b>		
New and Expanding Schools	21,824	37%
Further Feasibility Studies	230	0%
Other	394	1%
<b>Total Schools Projects</b>	<b>22,448</b>	<b>38%</b>
<b>Rolling Programmes:</b>		
Surface Water Management	1,950	3%
Asset Liability Management	890	2%
Disabled Facilities Grants	1,139	2%
<b>Total Rolling Programmes</b>	<b>3,979</b>	<b>7%</b>
<b>Other Proposals:</b>		
Business Transformation	2,603	4%
Children's	600	1%
E,R&C	179	0%
<b>Total Other Proposals</b>	<b>3,382</b>	<b>5%</b>
<b>Grand Total</b>	<b>60,856</b>	<b>100%</b>

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- 2.8 In total, the “long list” requires Corporate funding of £60.8m to support all the schemes over the 4 year capital programme period. Annual debt charges based on the above figures would require an increase in the annual charge to the Revenue Budget of over £5.1m per annum should all the schemes be funded, comprising interest of £2.7m and debt repayment of £2.4m. This significantly exceeds the current allowance in the revenue budget projections of £4m over the same period. On this basis, it should be noted that **the “long list” schemes will not all be affordable over the next 4 year period** unless there is a further significant re-prioritisation within the revenue budget from service expenditure towards debt repayments.
- 2.9 In addition to the “long list” schemes, the capital programme will also include schemes funded from developer contributions (s 106 contributions). In the main the Council has no discretion over the nature of this expenditure, which is required to fulfil specific planning obligations. For the few contributions where there is a degree of discretion, most significantly the Haydon 3 moneys, a process is being developed to ensure that Ward Members are actively involved in developing proposals for schemes within the context of the more broadly defined criteria.
- 2.10 These indicative costs are detailed at Appendix 1 as a “long list” of schemes representing priority investment areas, with indicative costs, the objective being to seek views through the consultation period on relative priorities within the published “long list” to inform a more focussed “short list” by February
- 2.11 The Department for Children Schools and Families (DCSF) announced on November 30<sup>th</sup> that Swindon has been allocated grant funding in 2010/11 of £6.374m towards primary school pupil places. This has been reflected in the figures detailed at both table 1 and Appendix 1 through a reduction in the Corporate funding requirement.
- Consultation*
- 2.12 Cabinet will recommend a final “short list” of capital schemes to Council in February that will form the basis of the 2010/11 – 2013/14 capital programme. Views will be sought from interested parties and stakeholders during the budget consultation period between now and the end of January on the relative priorities within the published “long list” and on whether any high priority schemes not currently identified should also be considered. These discussions will, however, need to be undertaken in the clear understanding that the Council’s resources are limited and

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that not all priorities will be able to be responded to in the short to medium-term.

- 2.13 The revenue budget 2010/11 report, elsewhere on the agenda, refers to £2.5m of cost pressures as a result of increases in debt charges. An element of this is in relation to new 2010/11 proposals detailed in this report, the balance relates to the impact of Equal Pay and costs from the current 2006-2010 Capital Programme.

### Alternative Options

- None

#### Risk Management

##### *Financial and Procurement Implications*

- These are contained in the main body of the report.

##### Legal / Human Rights Implications

- There are no direct implications from this report.

##### *Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)*

- Sound financial management is an integral part of achieving Swindon 2010.

### Consultees/ Appendices

The Director of Finance (section 151 officer) and the Director, Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Appendix 1 - Capital programme proposals 2010/11 to 2013/14 "Long List"

### Key Decision/Decision in Forward Plan

- This is a not a key decision and is included in the September 2009 Cabinet Forward Plan.