

**CAPITAL PROGRAMME UPDATE 2015/16 TO 2019/20**  
**Councillor Mordue**  
**Cabinet Member for Finance, Resources and Compliance**

**1 Purpose**

- 1.1 This report seeks to update the capital programme for the current year and for plan period to 2019/20. If endorsed by the Cabinet the report will be passed to the Finance and Services Scrutiny Committee for review, as required under policy framework requirements. After consideration of the report by scrutiny any comments will be passed to Council to assist in their decision making.

**2 Recommendations**

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| <p>2.1 That Council be recommended to agree the updated capital programme for 2016/17 onwards, as set out in Appendix A.</p> <p>2.2 That the Finance and Services Scrutiny Committee be invited to review the programme and indicate any comments that it wishes full Council to take into consideration in agreeing an updated capital programme for 2016/17 onwards.</p> |
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**3 Background**

- 3.1 The Council maintains an integrated strategic capital programme which is divided into three sections.
- Major Projects – These being the largest and highest profile.
  - Housing Schemes – Being the housing enabling and housing grant based schemes.
  - Other Projects – Being all the other schemes included within the capital programme.
- 3.2 The programme is reviewed annually with the current programme being last approved and adopted at Council in March 2014.
- 3.3 This report provides an updated position with respect to forecast receipts, revises the position (as necessary) with regards to current schemes and seeks the inclusion of future new major investment projects.

**4 Capital Resources Update**

- 4.1 The economy is continuing to grow despite the wider European problems. This, in turn, has had a positive impact on the construction industry, particularly housing, and this means the demand for land and its value continues to increase.
- 4.2 The housing market also continues to grow with house prices showing an 8.6% increase compared to last year. However, this appears to have had an impact on the appetite for home ownership amongst former Council House tenants. This slowdown has had an affect on the anticipated income from Right to Buy, which is one of the Council's major sources of capital income, to the point that actual receipts could be down on the level received over the last couple of years.

- 4.3 Since April 2012 when the Government increased the available discount for tenants from £38,000 to £75,000, the number house completions rose over the next two years to 47 in 2013/14 and 40 in 2014/15. However, VAHT are anticipating house completions to be only 20 in the current year, which will see a decrease in the level of receipts AVDC can expect to receive.
- 4.4 These factors do have a bearing on the available resources for the capital programme. Any decrease in anticipated resources effectively reduces the level of resources available to fund new schemes and so increases the possibility of borrowing and so this needs to be factored into the programme.
- 4.5 The changes in anticipated resources which need to be factored into the programme are as follows:
- a.) Share of house sale receipts from VAHT - these flow from the stock transfer agreement and run for 25 years from the transfer date. The number of sales has been forecast to be 20 for 2015/16, with the same number being forecast for 2016/17.
  - b.) Asset Sales - these are sums released from the disposal of Council-owned assets, mainly land or property. The majority of these disposals are for housing development schemes. Existing assumptions around timing and values have been reviewed on the basis of the current state of the housing market.
  - c.) Capital Contribution – This relates to the contribution from the New Homes Bonus reserve allocated to Capital Schemes by Council.
  - d.) Revenue Contributions –These include New Homes Bonus and use of Repair Reserves.
  - e.) Government Grant – Specifically in support of the Waterside North Scheme.
- 4.6 The table below sets out the available resources at the beginning of 2015/16 and projected resources at the end of the Capital Programme period of March 2020 before any expenditure has been taken into account.

	<b>Current Resources April 2015 £'000s</b>	<b>Resources Projection March 2020 £'000s</b>
Share of Right to Buy Receipts	2,793	7,793
VAT Share (Ends 2016)	428	1,428
Asset Sales	6,815	9,523
Capital Contributions	839	839
Lottery and Section 106	0	3,900

Revenue Contributions	0	6,547
Prudential Borrowing (UCAV)	0	6,419
<b>Total</b>	<b>10,875</b>	<b>36,049</b>

- 4.7 We are at the stage where the generation of sizeable capital receipts in the future will no longer be possible as our asset base has been reduced to small land holdings and our operational buildings i.e. offices, leisure facilities, public conveniences, etc. This means that future commitment to projects can only be given on the understanding that the funding will have to be met from external sources either borrowing or third party contributions.

## **5 Capital Expenditure**

- 5.1 The capital programme is attached as Appendix A. As it is split into three sections, Major Projects, Housing Schemes and Other Projects, these are covered separately.

## **6 Major Projects**

- 6.1 The following are listed under the Major Projects section – UCAV, Waterside Development, and the Swan Pool.
- 6.2 The capital programme includes the latest forecast costs for the individual schemes and reflects the position reported informally to the Major Projects Sub Committee details of which are summarised in the following paragraphs.
- 6.3 There is some residual public realm work required around the Waterside properties now that the Canal Society has vacated the site.
- 6.4 The Waterside Academy project is in the final stages of completion and should have been handed over to the University by the date of this meeting. The capital programme includes the agreed scheme costs.

### Swan Pool, Buckingham

- 6.5 The Swan Pool and Leisure Centre improvement project commenced on site in February 2015.
- 6.6 The £2.7 project was awarded a £500,000 grant from Sport England and will be funded from S106 contributions from housing development within the Buckingham area, £700,000, accumulated Repairs and Renewals provisions, £500,000, with the balance being drawn from New Homes Bonus funding also in recognition of the Housing growth being delivered in and around Buckingham.
- 6.7 Improvements to the centre include refurbishing and enlarging the changing village, creating a new and separate dry side changing area and installing a climbing wall. The gymnasium will also be extended and the reception area will be modernised to include a larger spectating area.
- 6.8 To date the new crèche, dry change and extended health and fitness suite have been completed and opened to customers. Progress remains good and the project remains on budget and on target to be completed in January 2016.

- 6.9 The project is intended to be as environmentally friendly as possible, making use of sustainable technologies and the work has been phased with the aim of keeping as many facilities open throughout the improvement programme as possible.

#### Waterside North and Public Realm North of Exchange Street

- 6.10 There is a linked item on the agenda that presents the business case for the development of restaurant outlets and housing on part of the Exchange Street car park.
- 6.11 The sums included within the capital programme represent the estimated cost of the two schemes and the assumption that they will be met from existing resources.
- 6.12 If approved, the revenue implications included in the associated report will need to be factored into the budget development process.

#### Pembroke Road Depot

- 6.13 In 2011/12 Cabinet recognised the need to purchase Pembroke Road Depot (Unit 17/18), Unit 19 (existing Sita/John O'Connor building) and units 12-16 south of the site to allow for the expansion of the depot. Expansion was required based primarily due to operational limitations relating to vehicle parking and waste storage capacity, but business opportunities around development of a new workshop for our own HGV's and MOTs were also a consideration.
- 6.14 The specific factors requiring the acquisition are set out below;
- i. The depot is likely to breach our Environmental Permit due to the amount of waste being transferred at the site, the storage of the waste and the inadequate drainage on the site to accommodate the types of waste stored. The EA have the regulatory powers to stop all operations on the Site, issues fines and non compliance notices until we are compliant with our permit. Continued non compliance can result in our Environmental Permit being withdrawn.
  - ii. The depot has limited space for vehicle parking and we are currently 2 vehicles away from breaching our Operators licence issued by the DVSA. Due to growth of the district the number of vehicles on site will increase and it is likely the DVSA would take enforcement action if we did not address issues of overcrowding of parked vehicles on our site. This would likely result in fines and grounding of our fleet.
  - iii. Following the JCB accident it was identified that we have overcrowding issues in terms of parking /waste operations and movement of people around the yard that needed to be addressed by i) improved site management (which has been implemented) and ii) separation of vehicles and pedestrians. Item ii) has not been implemented due to lack of available space at the depot.
  - iv. The current workshop location has resulted in allowing the public pedestrian access to extremely dangerous operational areas of the depot.
  - v. Due to the growth in the district we have reached a physical capacity of how much mixed recycling we can transfer from the depot. During busy periods mixed recycling has had to be stored outside and in the central

operational area of the depot. This has prevented safe operations to continue.

- vi. AVE could technically serve notice on us at any time. Until July 2013 AVDC had the ability to buy back the option on the depot from AVE. This opportunity has now expired and AVE can serve notice on AVDC to vacate the depot and the Sita building.
- 6.14 Acquisition of the Depot from AVE would enable all the issues identified above to be addressed.
- 6.15 A residual development budget remains from the depot expansion project of 3 years ago. The delivery of that scheme had been delayed because of the land ownership issues. The remaining capital budget will be utilised to complete the planned works, thereby addressing the issue above.
- 6.16 AVE have indicated that they are willing to sell the land at Pembroke Road for the book valuation, but as the land required encompasses  $\frac{3}{4}$  of the available land at Pembroke Road, AVE would wish to dispose of the entire site as any residual land in their ownership would have little operational value to them.
- 6.17 The entire site is valued at £2.2 million and is independently assessed as representing a fair value. Because of the nature of the ownership of AVE, half of the payment will ultimately be returned to AVDC through higher returns from AVE.
- 6.18 The additional land, beyond the Council's minimum requirements to deal with the operational issues, presents an income generation opportunity from an enhanced workshop and Authorised Testing Facility, and secures our place in the market as the Vehicle and Driver Standards Agency is currently closing existing Authorised Testing Facilities and pushing the work to the private sector.
- 6.19 Opportunities for maximising the commercial value delivered by the site will be presented for consideration separately.

## **7. Housing Schemes**

- 7.1 The main element of funding within this category relates to the Council's housing enabling function. Within this function the Strategic Housing team negotiates with private developers and Registered Providers, (housing associations), to help deliver a policy compliant level of affordable housing. It is often essential to contribute a level of grant to help this and ensure the best mix of units is brought forward.
- 7.2 The Council continued to be successful in its delivery of affordable housing projects over the period of recession. Now that there are signs of improvement in the market, Housing will endeavour to deliver as many houses as possible within their resources. However, due to the challenges received from private developers on the grounds of financial viability and recent Government announcements including the introduction of Starter Homes being considered as affordable housing, it is even more important to be able to provide a level of grant to help ensure the delivery of these units.
- 7.3 Other than carrying forward sums committed to affordable housing but unspent from previous years, no change is proposed to the funding provision for these projects.

## **8. Other Projects**

- 8.1 Provision for these schemes remains unchanged, other than carrying forward unspent sums on schemes, which have been delayed for reasons outside of the Council's control.
- 8.2 The programme includes a provision to replace some of the Refuse and Recycling fleet. A number of vehicles will be replaced in March this year with the balance of the provision being rolled forward into next year.

## **9 New Schemes**

- 9.1 At its meeting in December 2014 Cabinet agreed to the making of a Compulsory Purchase Order (CPO) in respect of a long term property in Albion Street, Aylesbury. The property is in a very poor state both internally and externally, the grounds are unkempt and severely overgrown and the property has stood empty for 9 years. Unless resolved through other means, once the CPO has gone through it was agreed that the property would be disposed of on the open market with conditions that the new owner would renovate the property. A sum has been included within the programme to enable this to happen.
- 9.2 Back in 2014 Cabinet also agreed to the disposal of the Elmhurst Community Centre with the proceeds being earmarked for an improvement programme of the other centres. The disposal has yet to go through but the anticipated sale receipt and the improvement programme has been included within the programme.

## **10 Options considered**

- 9.1 The proposed capital programme represents the allocation of anticipated resources in accordance with corporate priorities.

## **11 Reasons for Recommendation**

- 10.1 The Council is required to set a capital budget for the coming financial year and proper financial management incorporates a longer term view of capital activity. Regular review and updating of resource availability and capital investment plans is essential especially when a number of major schemes are running in parallel.

## **12 Resource implications**

- 12.1 The Capital Programme presented within this report updates projected capital resources and requests the inclusion of 2 new significant schemes, being the first phase of development at Waterside North and the proposed acquisition of Pembroke Road in order to deal with operational issues.
- 12.2 The Capital Programme allocates only a modest amount of the projected available Capital Resources to new schemes.
- 12.3 Waterside North and the associated Public Realm are proposed to be delivered through identified new resources from New Homes Bonus and Government Grant.

- 12.4 This leaves an unallocated balance available to the Council for other purposes and provides a buffer should not all of the projected Capital Resources be achieved.
- 12.5 This is pertinent given some of the uncertainty surround the longevity of the Government's support for the New Homes Bonus scheme.
- 12.6 Although it is predicted that there will be some ongoing support from this scheme it is expected that this funding route will now cease by 2020.
- 12.7 Residual support should be sufficient to fund the obligations proposed for the development of the Waterside North Scheme, but in the event that it is not, then some of the uncommitted balance could be attributed to the proposed scheme in order to ensure its delivery.
- 12.8 The resources implications are dealt with within the body of the report.

### **13 Response to Key Aims and Objectives**

None.

Contact Officer  
Background Documents

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Capital Programme 2013/14 to 2019/20  
Cabinet 17 December 2013

Capital Programme				2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
				£'000s	£'000s	£'000s	£'000s	£'000s
				Planned	Planned	Planned	Planned	Planned
<b>Capital Resources</b>								
Base Available Resources		10,875		10,875				
Add Contributions from New Homes Bonus		5,647		1,290	4,357			
Add New Receipts and Contributions (Estimated)		13,108		4,319	4,408	1,433	1,460	1,488
<b>FORECAST RESOURCE AVAILABILITY</b>		<b>29,630</b>		<b>16,484</b>	<b>8,765</b>	<b>1,433</b>	<b>1,460</b>	<b>1,488</b>
Add Prudential Borrowing		6,419		6,419				
<b>TOTAL FORECAST RESOURCE AVAILABILITY</b>		<b>36,049</b>		<b>22,903</b>	<b>8,765</b>	<b>1,433</b>	<b>1,460</b>	<b>1,488</b>
<b>Capital Spend</b>								
		<b>SCHEME TOTAL</b>	<b>SCHEME COSTS TO DATE</b>					
<b>Major Projects</b>		<b>£'000s</b>	<b>£'000s</b>					
Educational Facility (Funded via Borrowing)		16,550	10,131	6,419				
Swan Pool		2,700	471	2,229				
Waterside North (Exchange St)		4,012	0		3,000	1,012		
Public Realm Waterside North (Exchange St)		3,300	0			3,300		
Public Realm Waterside South (Exchange St)		50		50				
Depot Upgrade (£2m Funded via Borrowing)		3,650	2105	1,545				
Pembroke Road Site Purchase		2,200		2,200				
<b>Major Project Expenditure Total</b>		<b>32,462</b>	<b>12,707</b>	<b>12,443</b>	<b>3,000</b>	<b>4,312</b>	<b>0</b>	<b>0</b>
<b>Housing</b>								
Disabled Facility Grants		2,781	1,233	337	320	297	297	297
Enabling schemes		33,000	25,365	1,051	1,000	1,000	1,000	3,584
<b>Housing Expenditure Total</b>		<b>35,781</b>	<b>26,598</b>	<b>1,388</b>	<b>1,320</b>	<b>1,297</b>	<b>1,297</b>	<b>3,881</b>
<b>Other projects in current programme</b>								
Car Park Improvements		800			600	200		
Refuse Vehicle Replacements		500	215	285				
Compulsory Purchase Albion Street		300			300			
Community Centre Improvements		400		50	250	100		
Play Area Replacement Programme		420				140	140	140
<b>Other Projects Total</b>		<b>2,420</b>	<b>215</b>	<b>335</b>	<b>1,150</b>	<b>440</b>	<b>140</b>	<b>140</b>
<b>WHOLE PROGRAMME TOTAL SPEND</b>		<b>70,663</b>	<b>39,520</b>	<b>14,166</b>	<b>5,470</b>	<b>6,049</b>	<b>1,437</b>	<b>4,021</b>
<b>Cumulative Balance Remaining</b>	(- = overdrawn)			10,875	8,737	12,032	7,416	7,439
<b>Net Spend (-) / Income For the Year.</b>				-2,138	3,295	-4,616	23	-2,533
<b>Uncommitted Balance as at 31 March</b>	(- = overdrawn)			<b>8,737</b>	<b>12,032</b>	<b>7,416</b>	<b>7,439</b>	<b>4,906</b>