

---

## **CAPITAL STRATEGY 2006**

### **The Strategy**

The aim of the Capital Strategy is to maximise the capital resources available to achieve the Council's strategic aims and objectives in the context of the agreed financial framework and medium term financial forecast.

### **Background**

#### **Major Regeneration Schemes**

Major regeneration schemes within the District are in the main being progressed through partnership arrangements and in particular through the Basildon Renaissance Partnership to maximise inward investment into the District and also the collective resources of the partner bodies. Some of the major regeneration schemes currently at planning stage that are likely to affect the next fifteen years or so are:

- Town Centres – Basildon, Wickford, Pitsea and Laindon
- A127 Corridor
- Culture and Environment – including Sporting Village, Barleylands Playing Pitches, Nevendon Nature Reserve and the Marshes Area
- Nethermayne Corridor – Basildon Hospital, College, land adjoining golf course
- Housing and Estates – Fryerns and Craylands other Estate Renewal

The Council seeks for most key major regeneration projects to be externally delivered by other public bodies and/or the private sector. This is largely due to the low value of the Council's asset base as a result of covenants and clawbacks owned by English Partnerships. On some minor schemes and for the initial planning work on some major schemes the Council may act as the accountable body. The timescale for these major schemes will be reflected in the Regeneration Framework currently in preparation.

It is a principle that external resources be sought only to further the aims and objectives of the Council's Strategic Improvement Plan, and for this purpose an external funding framework has been developed. Due regard is also had the Council's other policies, strategies and plans.

#### **General Services**

In addition to regeneration projects such as are described above, the Council maintains a programme of direct spending on General Services schemes. This is limited, in the main, to essential wind and weather tight repairs to buildings, other essential health and safety maintenance and compliance with the requirements of the Disability Discrimination Act 1995. Prioritisation of the available resources has therefore been driven according to these 'essential works' criteria, or other essential needs. Such work is funded entirely by resources raised locally, mostly through asset realisation. In principle, any surplus resources becoming available are directed in accordance with the Council's Strategic Improvement Plan key aims and the financial framework as guided by the prioritisation scheme set out in the Asset Management Plan.

Because of the limited availability of conventional capital resources, there is little provision for asset replacement or improvement directly by the Council. The Asset Management Plan identifies very significant need in relation to backlog repairs, and whilst core spending is supplemented where possible by capital grants and contributions in respect of specific projects, the Council has to look at other solutions. It is partly for this reason that the Council is actively working on a range of visionary projects of renewal and regeneration that take advantage of its strategic ability to bring investment into the District from both public and private sector sources, for example the major regeneration projects mentioned above which, in some cases, include replacement provision for existing facilities. These may be supplemented by unsupported borrowing in appropriate cases.

### Housing

The Housing programme is largely dependent for its funding on the Major Repairs Allowance, which is a sum provided by government in the HRA Subsidy system to address the depreciation of HRA assets. A small allocation is also made to support additional borrowing, and capital grants are available for certain specific purposes. Like the General Services programme however, the Council depends on capital receipts and contributions generated locally to supplement government resources. Whilst significant sums have been contributed from revenue in the past, the HRA can no longer afford to direct any revenue surpluses into the capital programme.

A key driver for the allocation of resources is the objective of achieving the Decent Homes Standard in all the Council's dwellings by 2010. A stock options appraisal in June 2005 concluded that the establishment of an Arm's Length Management Organisation (ALMO) was the way forward for the future management and maintenance of housing assets, subject to a successful bid to the government for additional capital resources. A bid for £143 million was submitted in July 2006 under Round 6 of the ALMO programme and an announcement was promised in the autumn.

In addition, the Council has made the tackling of fuel poverty and energy efficiency in our homes a key priority and has invested in renewing central heating with high efficiency boilers, and in loft and cavity installations. As a result, last year's performance was in the top quartile for BVPI 63 (the government energy efficiency indicator). This will however not be sustainable without ALMO or other resources.

If sufficient resources are not made available to cover both the decent homes works and those necessary to satisfy the landlord's responsibilities, the Council will need to revisit its options. It is clear from the option appraisal and from consultation with tenants that the proposals for delivering Decent Homes would fall short of tenant aspirations, even if the government met the bid for ALMO resources in full.

The Council also has strategic responsibilities for private sector housing. The government makes a limited contribution towards the cost of Disabled Facilities Grants, and from 2006/07 towards decent homes in the private sector, but otherwise the whole service is dependent on the same resources raised locally as are needed by the Council's own stock.

### **Strategies for Maximising Resources**

The Council will adopt the following strategies to maximise the resources available for capital investment, so far as these are consistent with Strategic Improvement Plan aims and objectives:

- Partnership arrangements with other bodies, in particular the partners in the Basildon Renaissance Partnership.
- Partnership arrangements with the private sector.
- Resource Bidding. The Council is dedicated to identifying potential external funding sources to address the revenue and capital implications of Strategic Improvement Plan aims. The Council will continue to seek resources for major capital projects through the Basildon Renaissance Partnership, in accordance with the external funding framework.
- The Council carried out a thorough review of its options for the future of the Housing stock in 2005 resulting in a bid to the government for additional capital resources of £142.9 million over the period to 2010/11 to secure the decent homes standard for every dwelling. The outcome of the bid is current awaited.
- Releasing the value of our General Fund and HRA assets through property review and the disposals programme.
- Engagement in the Local Area Agreement.
- Continuing assessment of how the prudential regime for capital finance could assist the Council to achieve its current and future aspirations. This could be of particular value for spend-to-save schemes where capital investment is used to secure longer-term revenue savings.
- A Contingency Reserve of £5.9 million has been established and, whilst it would not be used to routinely finance capital projects, it is available to meet exceptional unbudgeted costs or additional investment in General Fund services in appropriate cases.
- In appropriate cases, the potential of PFI and PPP schemes.
- Reviews of the provision of specific services.

The normal practice of the Council is for the General Services and Housing programmes to retain their capital receipts for investment in their own areas.

### **Clawback and Pooling Arrangements.**

Reference has been made above to the dependence of the Council on raising resources locally through asset realisation. Local authorities are however heavily regulated in the way they deal in Housing assets, a high proportion of sales proceeds having to be paid to the government to fund delivery of its housing policy nationally. With limited exceptions, 75% of right-to-buy (RTB) proceeds are "pooled" and 50% of the proceeds of other sales. For non-RTB receipts, the pooling requirement is waived where the proceeds are applied to works of affordable housing or regeneration, and the Council takes full advantage of this concession.

Basildon is further limited in its ability to realise its assets, arising from its history as a New Town. English Partnerships (EP), the successor to the Basildon Development

Corporation and the Commission to the New Towns, holds significant rights over land in the New Town areas of the District by way of restrictive covenants and clawback. These affect both Housing and General Fund land. In May 2006, the Council signed a "Memorandum of Understanding" with EP and the Thames Gateway, as agents of the government, under which the principle was accepted that EP and the Council would work together to 'prepare an approach to the Treasury to consider the reinvestment of capital receipts from clawback provisions, on projects within the Basildon District, which benefit of the community in all respects and where the scheme proposals are not viable without such reinvestment.'

### External Relationships

Capital investment in the District is delivered not only by the Council directly, but also through its role as community leader working with others to encourage investment, particularly from the private sector. In such instances where private sector funding is sought, public funding acts as seed funding to facilitate development.

The Council established the Basildon Renaissance Partnership (BRP) in 2002 to deliver its objectives for the physical regeneration of Basildon District. BRP is a local regeneration partnership and coordinates a capital investment programme in the Basildon District. The programme has to date included some £30 million of government Sustainable Communities funding. The Partnership aims to deliver key strategic projects for the Council and to attract inward investment whilst minimising the use of Council resources and without leaving the Council with ongoing revenue costs. Of the £30 million allocated to Basildon, only £4.6 million was included in the Council's capital programme, as projects were taken on by other partners within the Basildon Renaissance Partnership or other public agencies. Currently only two projects in the Capital programme remain to be completed; the Town Square lifts and Fryerns Open Space. The programme of major projects includes:

- Regeneration of the Craylands estate and the development of the former Fryerns school site. As part of the project development and master planning, consideration is being given to new estate management structure and funding. The Council owns a number of assets in the area including homes, garage courts and open space, all of which will be enhanced. The Council has secured £18 million for this scheme.
- Regeneration of Basildon Town Centre. This includes immediate priorities, such as replacing Council-owned escalators with lifts, and the longer term implementation of the Development Framework for the Town Centre. The Development Framework includes the potential for a new civic centre/theatre and the possible development of Council owned land.
- Development of a "Sporting Village" in Gloucester Park incorporating a 50 metre swimming pool, athletics facilities, indoor and outdoor sports etc. The Council has committed £15 million from future realisation of assets released by replacement of existing facilities, including the Gloucester Park swimming pool and the Markham's Chase Sports Centre. It is contingent however on contributions from other agencies, including the reinvestment of clawback by English Partnerships, all of which have yet to be agreed.

The Basildon Renaissance Partnership is currently preparing a Regeneration Framework, which will set out a long-term strategy for the District, together with the key actions required to delivery.

Other significant capital projects currently in the planning or implementation stage include:

- Wickford Town Centre redevelopment. The Council approved a master plan for Wickford town centre in February 2006. This plan includes the creation of a new Public Sector Quarter. This proposal includes Council community and land assets, which may be re-provided within the Quarter or elsewhere in the town centre.
- Heritage Centre at Wat Tyler Country Park. A proposal for an education and visitor centre to supplement the park attractions. Joint funding applications have been made and the outcomes are awaited.
- George Hurd Centre re-provision
- Priority Club re-provision

The Council is looking at ways of making best use of the opportunities offered by Section 106 agreements and maximising planning gain to bring external investment into the District. One example being considered is the use of commuted sums to gap-fund innovative housing redevelopment, such as Five Links Stage III and Royal Court.

### **Prioritisation and Performance Management**

The process for progressing proposals for new capital projects (and extensions to existing) involves the close working between Cabinet Members with responsibility in the particular service area with their Officers prior to consideration by the Cabinet, which determines **priorities** based on the overall Strategic Improvement Plan aims and objectives approved by the Council. All proposals are subject first to an appraisal of the financial implications (both capital and ongoing revenue) and work is in hand on the development of a formal project appraisal procedure, as recommended by the external auditor as part of his Use of Resources Assessment of the Council in March 2006. A prioritisation scheme is included within the Asset Management Plan. Subject to the outcome of such considerations, the capital cost is then injected into the relevant capital programme based on the availability of resources.

**Performance** concerning *strategic and service* measures is reported quarterly to the Cabinet and to Overview & Scrutiny Committees. In addition, Overview & Scrutiny committees receive quarterly reports on the *financial* performance of schemes in the capital programme and on the generation of capital receipts and other capital resources. Additionally each Cabinet Member with responsibility, and each member of the Strategic Management Board (Executive Team and Heads of Service) receives capital programme monitoring statements monthly (ten times a year). A detailed schedule identifying programmed, committed and current spending scheme-by-scheme accompanies these statements. Any budgets considered to be at particular risk are given special attention within such reporting arrangements (e.g. RTB sales proceeds).

**Appendix 1** identifies the key objectives of this strategy and appropriate performance measures against which success can be assessed.

### **Revenue Implications**

The revenue effects of capital schemes and the assumptions on which they are based are reflected in the annual budget and forward forecast.

### **Procurement**

Capital related procurement is undertaken in accordance with the Council's approved policies and procedures.

### **Current and Projected Capital Expenditure**

A summary of the Council's approved capital programme for General Services and Housing for the period to March 2009 is set out in the **Appendix 2**.

**APPENDIX 1**

**Key Objectives and Performance Measures**

<b>Service</b>	<b>Key Objective</b>	<b>Performance Measure</b>	<b>Comment</b>
General Services	The use of any surplus resources becoming available, above those required for essential work will be directed in accordance with the Council Strategic Improvement Plan and the financial framework.	The prioritisation process identified in the Asset Management Plan.	
General Services	External resources will be sought only to further the aims and objectives of the Council's Strategic Improvement Plan.	The prioritisation process identified in the Asset Management Plan.	George Hurd Centre Wat Tyler Heritage Centre Sporting Village
Housing Services	Management of housing assets to be transferred to an arms length management organisation (ALMO)	Subject to a successful bid to the government for additional capital resources	Bid submitted July 2006
Housing Services	The use of any surplus resources above those required to meet the Decent Homes standard and the landlord's asset management obligations will be directed to meeting the aspirations of tenants.	The extent to which tenant aspirations can be met earlier than 2011, e.g. through efficiencies made by the ALMO	
Both service areas	Releasing the value of our assets through property review and a disposal programme.	Achievement of the capital receipts target for each year as provided for in the approved capital programmes.	RTB sales – identified as a risk budget
Both service areas and Basildon Renaissance	Lobbying of English Partnerships and the government to relax clawback and other restrictive covenants on former CNT land	Value of additional investment realised by the Council or its partners through relaxation of controls.	Memorandum of Understanding

<b>Service</b>	<b>Key Objective</b>	<b>Performance Measure</b>	<b>Comment</b>
Both service areas	Continuing assessment of how the prudential regime for capital finance could allow the Council to achieve its current and future aspirations	Review of options as they arise.	Borrowing of £400,000 to finance replacement of artificial pitch at Gloucester Park in 2006/07
Both service areas	Reviews of the provision of specific services	All reviews to consider the capital implications of any proposed changes to services.	
Basildon Renaissance	To support economic growth within the District; facilitate investment in physical regeneration; to secure funding for delivery of projects	Contribution towards meeting Regional Spatial Strategy targets for new jobs and homes.	Regeneration Framework in preparation.

**APPENDIX 2**

**CAPITAL PROGRAMME  
GENERAL SERVICES AND HOUSING SERVICES**

**SUMMARY  
(As approved by Council, 2nd March 2006)**

ITEM	2006/07	2007/08	2008/09
	Estimate	Estimate	Estimate
	£000	£000	£000
<b><u>General Services</u></b>			
1. Community Services	170	50	50
2. Leisure & Customer Services	510	270	-
3. Development & Environment	1,800	687	272
4. Housing and Community Safety	-	-	-
5. General Services	531	275	275
6. Management and Administration	3,196	-	-
7. Basildon Renaissance Partnership	1,080	-	-
<b>General Services Total</b>	<b>7,287</b>	<b>1,282</b>	<b>597</b>
<b><u>Housing</u></b>			
1. Stock Condition Works	7,382	8,466	8,629
2. Responsive Repairs	783	804	825
3. Other HRA Schemes	1,140	1,133	1,160
4. General Fund Schemes	900	900	900
<b>Housing Total</b>	<b>10,205</b>	<b>11,303</b>	<b>11,514</b>
<b>TOTAL PROGRAMME</b>	<b>17,492</b>	<b>12,585</b>	<b>12,111</b>
Financed by: -			
Borrowing	649	1,149	1,149
Direct Revenue Financing	3,196	-	-
Major Repairs Reserve (for HRA stock)	7,913	8,051	8,207
Capital Grants and Contributions	1,981	803	803
Capital Receipts (from sale of assets)	1,953	1,895	1,621
Leasing	1,800	687	272
<b>TOTAL RESOURCES</b>	<b>17,492</b>	<b>12,585</b>	<b>12,052</b>
<b>Over programming</b>	<b>-</b>	<b>-</b>	<b>59</b>

This page is intentionally left blank