

CAPITAL STRATEGY 2007

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

The Council seeks to deliver most key regeneration projects externally through other public bodies and/or the private sector. This is largely due to the low value of the Council's asset base because 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.

Therefore, the major regeneration schemes within the District are in the main progressed through partnership arrangements, and in particular through the Basildon Renaissance Partnership, to maximise inward investment into the District and also to use the collective resources of the partner bodies. The major regeneration plans for the District that are likely to affect the next fifteen years or so include:

- Regeneration of Town Centres – Basildon, Wickford, Pitsea and Laindon, each of which will affect Council facilities and assets
- Economic Growth – economic action plan and regeneration of the A127 Corridor
- Culture and Environment – including Sporting Village, Wat Tyler HIP, Barleylands Playing Pitches, Nevendon Nature Reserve and the Marshes Area
- Health and Education – Basildon Hospital, a new Further Education college, an East Basildon Academy and a Basildon Vocational Centre
- Housing and Estates – generating aspirational housing, Fryerns and Craylands, Royal Court, Five Links and other estates identified for regeneration.

An indicative timescale for these major schemes is given in the Basildon Regeneration Framework, which was formally agreed by the Cabinet on 8th November 2007. This sets out the vision and the delivery programme for the District that the Council is seeking to achieve between now and 2021 in the five priority areas outlined above and will form the basis for future funding bids and investments. Immediate priorities are being considered in Communities and Local Government's (CLG) costed Delivery Plan for the Thames Gateway. The Framework will support and complement the new Strategic Improvement Plan 2008-11, the Community Strategy and the emerging Local Development Framework, to provide an integrated approach to regeneration in conjunction with social, environmental and community regeneration initiatives.

The Council's capital programme will only reflect expenditure incurred directly by this Council for its own account and the resources raised to meet that expenditure. It will not reflect investment directly by partners.

It is also a principle that external resources are 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 to the Council's other policies, strategies and plans.

General Services

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 a current maintenance backlog of £8.65 million in its General Fund assets, and whilst core spending is supplemented where possible by capital grants and contributions including S.106 receipts in respect of specific projects, the Council clearly 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. The major regeneration projects mentioned above include in some cases replacement provision for existing facilities (e.g. new Civic Offices and the Sporting Village) or result in new facilities owned by the Council (e.g. the securing of nearly £5 million of grant support for the development of facilities at the Wat Tyler Country Park).

The Council will use borrowing to finance capital projects where there is an economic argument for doing so. The "prudential borrowing" powers now available to local authorities are subject to proposals being "prudent, affordable and sustainable". Basildon has financed a number of projects where the investment was justified by additional income (or the protection of existing income) or where savings could be made at least equivalent to the debt charges. For example, in the current financial year, a programme of improvements costing up to £2 million is being made to office accommodation in the Basildon Centre, to be paid for over five years from savings arising from the surrender of the lease of office accommodation at Church Walk House in December 2008.

In addition to regeneration projects and other self-financing schemes such as are described above, the Council maintains a programme of direct spending on General Services schemes using conventional capital resources raised locally. The programme 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 by these 'essential works' criteria, or other essential needs.

A "Contingency Reserve" of £5.9 million has been established and, whilst it is a revenue reserve and would not be used routinely to finance capital projects, it is available to meet exceptional unbudgeted costs or additional investment in General Fund services in appropriate cases.

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 Methodology for Prioritisation scheme set out in the Asset Management Plan.

Strategic Housing

The Council also has strategic responsibilities for private sector housing. The government makes a limited contribution towards the cost of Disabled Facilities Grants but otherwise the whole service is dependent on the same resources raised locally as are needed for the Council's own housing stock (see below).

The Basildon Renaissance Partnership has recently concluded the analytical work on a Strategic Housing review for the District. The review will be used, together with a new Housing Strategy, the emerging Local Development Framework and the Regeneration Framework, to establish the future direction of the housing policy and delivery across the District. The delivery options for new homes may impact on the Council's assets and future capital programmes and will take on board the emerging delivery vehicles to meet local housing need as set out in the Government's Housing Green Paper.

The Council's own housing stock

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 of £1.1 million per annum is also made by the government to support additional borrowing, at least until 2010/11, and capital grants are available for certain specific purposes. Like the General Services programme however, the Council relies upon 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 revenue moneys 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. 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. The Council set up St. Georges Community Housing Limited (SGCH) as its ALMO, with effect from April 2007.

A bid for £143 million of supported borrowing was submitted in July 2006. Determination of the outcome has been substantially delayed by CLG whilst it assesses the settlement from the Comprehensive Spending Review 2007 and its own cashflow issues. The Council has recently been told to anticipate a "letter of assurance" in December that is expected to indicate that funding will be forthcoming. The actual details in relation to the bid are likely to depend upon revised profiles of expenditure that will be sought by CLG. The award of government resources for Decent Homes will also be dependent upon SGCH achieving at least a 2-star assessment under the Audit Commission's housing inspection which is due to take place in January 2008. CLG have indicated that, if SGCH can both achieve a 2-star assessment and successfully procure contractor(s) to deliver a Decent Homes repairs programme early in the new financial year, they can expect to receive a funding allocation during 2008/09. In order to maximise the chances of funding in 2008/09 SGCH have begun preparing their procurement and a report is to be considered by Cabinet in December 2007 asking for endorsement to the strategic approach to procurement that has been adopted by the Board of SGCH.

A successful outcome to the bid for ALMO resources is crucial to securing investment in our stock. In time, it could also lead to Basildon taking advantage of the freedoms promised in the Housing Green Paper for top performing ALMO's, such as relaxation or possible release from some of the constraints of the HRA Subsidy regime.

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.

In addition to the issues relating to Decent Homes described above, 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 investment is dependent in part on grant from energy companies.

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 its Strategic Improvement Plan aims and objectives:

- Partnership arrangements, in particular with the partners in the Basildon Renaissance Partnership but also with the wider private sector, for instance in Basildon and Wickford town centres and the Sporting Village.
- 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.
- Options for the future of the Council's own Housing stock, particularly through the government's Decent Homes programme using resources earmarked for Arms Length Management Organisations.
- In its Comprehensive Spending Review, the government expanded its funding for public services through Local Area Agreements. Basildon will engage fully with this process through its Local Strategic Partnership.
- Continuous assessment of opportunities to use the prudential regime for capital finance to assist the Council to achieve its current and future aspirations, particularly for spend-to-save schemes where capital investment is justified in terms of additional income or revenue savings.
- In appropriate cases, the potential of PFI and PPP schemes.
- Reviews of the provision of specific services, including the buildings from which these services are provided, to identify those properties no longer fit for purpose and opportunities to raise capital receipts by the disposal of these assets and the potential reinvestment of these funds in renewed facilities.

The normal practice of the Council is for the General Services and Housing programmes to retain any capital receipts derived from disposal of General Fund and HRA assets respectively, for investment in their own areas. An exception is the use of the proceeds of sale of a sheltered housing scheme in Wickford in 2007/08 to finance the initial costs associated with the regeneration project for the Wickford Town Centre.

Clawback and Pooling Arrangements.

Reference has been made to the dependence of the Council in part on raising resources 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 proceeds and 50% of other sales proceeds are paid into a government pool. In the latter case, 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, because of its history as a New Town. English Partnerships (EP), the successor to the Basildon Development Corporation and the Commission for 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 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 Basildon Renaissance Partnership (BRP) was established in 2002. It acts as the local regeneration partnership for the development, co-ordination and management of strategic development and physical regeneration across the District within the Thames Gateway. It plans, manages and coordinates a programme of projects across the District, with partners working closely together to deliver projects drawing on the resources of individual partners. A Support Team provides project management and coordination support to partners. The Partnership aims to deliver key strategic projects and attract inward investment so as to minimise the use of Council resources and leave the Council with no ongoing revenue costs.

Since 2003, the BRP has secured £36 million of Sustainable Communities funding and detailed discussions are underway to determine funding for the period 2008-11 as part of its submission to CLG's Thames Gateway Costed Delivery Plan. Of the £36 million granted to date, some £10.2 million has been included in the Council's Capital Programme, including a contribution to the Sporting Village scheme. In addition, a £2 million programme of Interim work to Basildon town centre has recently been added.

The programme of major projects to be delivered through external relationships, currently in the implementation or planning stage, includes:

- Regeneration of the Craylands estate and the development of the former Fryerns school site. English Partnerships are leading the project in partnership with the Council and Swan as the developers. The Council is the land owner of the Craylands Estate and as such is contributing a £15 million asset to enable the regeneration of the estate which will involve demolition of existing Council housing and new-build. Funding has been secured for a new link road through the estate. As part of the project development and master planning, proposals for a new estate management structure following the redevelopment are being investigated by Swan and the Council. English Partnerships are expecting to receive Treasury approval in late December 2007.
- 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 and theatre and the possible development of Council owned land. The Council is currently procuring a Development Partner to prepare a master plan for the town centre regeneration over a 20 year period.
- Development of a “Sporting Village” in Gloucester Park incorporating a 50 metre swimming pool, gymnastics hall and sports hall, re-provision of the spectator and changing facilities for the athletics track, and changing facilities for the outdoor sports pitches 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. This is contingent on the Council securing appropriate planning consents on the sites of the redundant assets in order to attract the values required and on English Partnerships reinvesting clawback in the scheme, all of which have yet to be agreed. Essex County Council and Communities and Local Government have each earmarked £5 million for this scheme and some £2 million will come from S.106 Agreements. Private sector and/or other public sector funding may also be required. In November 2007, Cabinet agreed key documents and processes towards procurement of a development partner.
- 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 with the re-provision of the swimming pool, a fitness suite, library provision and health services. This proposal includes Council community and land assets, which may be re-provided within the Quarter or elsewhere in the town centre. Planning applications for phase 1 (detailed) and phases 2 and 3 (outline) will be determined during December 2007.

- Heritage Centre at Wat Tyler Country Park. An education and visitor centre will be built to supplement the park's existing attractions. The Cabinet gave the go ahead for the £5.3 million project in April 2007. External funding of £4.9 million has been secured, including £1 million from the Heritage Lottery Fund and £3 million from the East of England Development Agency. Construction is expected to commence in February/March 2008, with the new facilities opening to the public in June 2009.
- George Hurd Centre re-provision. The Council has approved the construction of a new Day Centre, the works being commissioned by one of its Housing Association partners. Upon satisfactory completion, it will be handed over to the Council in exchange for the site of the existing Centre, which will be redeveloped by the partner for housing purposes, including an element of affordable homes.
- Priority Club re-provision. The Council has disposed of the Club's former premises, which they held on lease from the Council, as the property was in need of considerable repair. In return it received a capital receipt whilst also securing modern replacement facilities on a long leasehold basis (125 year lease) at a peppercorn rent from which the Club operate on a sub lease from the Council.

The Council is preparing a Planning Obligations Strategy to ensure that the impact of new development is mitigated by appropriate developer contributions towards the provision of new infrastructure. This will have to be incorporated into the Local Development Framework for the District and reflect the government's intentions to bring forward legislation to allow local authorities to set locally agreed tariffs for new development to be known as a Standard Planning Charge. Until the strategy is complete, which may not be until 2010 or 2011, an interim policy will be put in place as a basis for negotiation with developers in order to secure appropriate contributions.

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 takes into account whole life cycle appraisal and costing. A methodology for prioritisation is included within the Asset Management Plan, though the requirement has wider implications than land and property related schemes. Subject to such considerations, the capital cost is injected into the relevant capital programme based on the availability of resources.

Performance against *strategic and service* measures is reported quarterly to the Cabinet and to Overview and Scrutiny Committees on an exception basis by reference to Best Value and Local performance indicators. More detailed reports on CSIP tasks and BVPI's go regularly to responsible Cabinet Members.

In addition, Overview and Scrutiny committees receive quarterly reports on the *financial* performance of schemes in the capital programme. 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 relevant to their area of responsibility monthly (ten times a year). A detailed schedule identifying programmed, committed and current spending, scheme by scheme, accompanies these statements, except in the case of works to Housing Revenue Account stock that are controlled by St. Georges Community Housing. Any budgets considered to be at particular risk are given special attention within such reporting arrangements (e.g. Right-to-buy sales proceeds).

Appendix 1 to this Enclosure shows the key objectives of this strategy and the 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. A revised Procurement Framework, including Contracts Procedure Rules, is being considered by Cabinet on 6th December 2007 and will be subject to approval by Council in the new year.

The Council is using the European Procurement Regulations and procedures to procure development partners for Basildon and Wickford town centres and the Sporting Village. The costs of the procurement for Basildon town centre and the Sporting Village are being met through CLG Grant funding. The cost of the procurement for Wickford town centre is being met through the use of capital receipts realisable from the scheme.

Procurement of contracts for the Housing programme, including Decent Homes works, is the responsibility of St. Georges Community Housing under the management arrangements for the Council's housing stock. A draft Procurement Strategy has been submitted to the Council for approval and will be considered by Cabinet at a future meeting.

Current and Projected Capital Expenditure

As stated earlier, the Council's capital programme only reflects the expenditure of this Council for its own account and the resources raised to meet that expenditure. It does not, and will not, reflect investment directly by partners – e.g. the major development partners now being recruited to deliver the regeneration of Basildon and Wickford Town Centres.

A summary of the Council's capital programme for General Services and Housing for the period to March 2010 is set out in the **Appendix 2** to this Enclosure. This is the programme approved by the Council in March 2007, and does not therefore yet reflect additional schemes and resources identified and approved between March and the date of this report.

A revised financial programme and forward forecast to 2010/11 will be approved by the Council as part of the budget process for 2008/09.

KEY OBJECTIVES AND PERFORMANCE MEASURES

Service	Key Objective	Performance Measure	Comment
General Services	<p>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.</p> <p>External resources will be sought only to further the aims and objectives of the Council's Strategic Improvement Plan.</p>	<p>The prioritisation process identified in the Asset Management Plan.</p> <p>The prioritisation process identified in the Asset Management Plan.</p>	<p>George Hurd Centre, Wat Tyler Heritage Centre, Sporting Village, Basildon and Wickford Town Centre regeneration schemes</p>
Housing Services	<p>Management of housing assets operated effectively by an arms length management organisation</p> <p>Improvement of existing Council dwellings to the Decent Homes Standard.</p> <p>Any resources surplus to those required to meet the Decent Homes Standard and the landlord's asset management obligations, to be directed at meeting aspirations of tenants.</p> <p>Sustainability of homes at the Decent Homes Standard over the longer term.</p>	<p>Securing of a 2-star inspection outcome for St. Georges Community Housing</p> <p>Achievement of a 2-star assessment and demonstration of ability to commit expenditure by successful procurement of contractor(s) in order to secure sufficient capital resources from the government.</p> <p>The extent to which tenant aspirations can be met earlier than the completion of the Decent Homes programme, e.g. through efficiencies made by St. Georges.</p> <p>Resources identified to maintain both the Housing Revenue Account and the capital programme.</p>	<p>Inspection scheduled for January 2008</p> <p>Bid submitted July 2006. Awaiting approval of bid and outcome of housing inspection (as above)</p> <p>Current financial projections are not favourable. Financial Strategy being prepared by St. Georges.</p>

Service	Key Objective	Performance Measure	Comment
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.	
Both service areas	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
	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.	Unsupported borrowing already used for certain General Services capital projects where justified on grounds of prudence, affordability and sustainability.
	Reviews of the provision of specific services	All reviews to include consideration of 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

**CAPITAL PROGRAMME
GENERAL SERVICES AND HOUSING SERVICES**

SUMMARY

**(As approved by Council, 1st March 2007
and amended for new Cabinet Member areas of responsibility)**

ITEM	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
	£000	£000	£000
<u>General Services</u>			
1. Community	50	50	50
2. Leisure & Arts	314	0	0
3. Environment	1,517	801	1,309
4. Customer Services	0	0	0
5. Regeneration and Green Issues	100	100	100
6. Resources	275	275	275
General Services Total	2,256	1,226	1,734
<u>Housing</u>			
1. Stock Condition Works	7,788	8,223	8,435
2. Responsive Repairs	804	791	825
3. Other HRA Schemes	1,265	1,200	1,200
4. General Fund Schemes	1,219	900	900
Housing Total	11,076	11,114	11,360
TOTAL PROGRAMME	13,332	12,340	13,094
Financed by: -			
Supported Borrowing (for HRA stock)	1,149	1,149	1,149
Unsupported Borrowing	884	0	0
Major Repairs Reserve (for HRA stock)	8,016	8,173	8,337
Capital Grants and Contributions	1,341	903	903
Capital Receipts (from sale of assets)	1,255	1,314	1,362
Leasing	687	801	1,309
TOTAL RESOURCES	13,332	12,340	13,060
Over programming	0	0	34