Agenda Item 7

Recommended Item from Scrutiny Committee held on 13th October 2009

392. POLICY AND PERFORMANCE MANAGEMENT GROUPS

(1) PROGRESS ON REVIEWS

(c) PPMG3 - Capital Budget Review

The Chair of PPMG3 presented the report which gave details of the review into the Capital Budget Review.

Moved by Councillor H. Ward and seconded by Councillor T. Rodda
RESOLVED that (1) the review is closed,

RECOMMENDED that (2) PPMG3 be presented with complete pre-budget funding figures before they are submitted to Council so that they can be scrutinised with a view to finding savings in the next budget period,

(3) the report be forwarded to the Executive.

(Scrutiny and Policy Officer/Head of Democratic Services)

Council/ Committee:	Scrutiny	Agenda Item No.:	9(1)(c)
Date:	13 October 2009	Category	
Subject:	Capital budget review	Status	Open
Report by:	PPMG3		
Other Officers involved:	Scrutiny and Policy Officer		
Director	Chief Executive Officer		
Relevant Portfolio Holder	Portfolio Holders for Regeneration and Environment		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – Continually improving our organisation. It is expected that the outcome of the review will contribute to the priority to continue to monitor, review and improve the economy, efficiency and effectiveness of all Council services.

TARGETS

There are no specific targets in the Corporate Plan for the review however the aim is to minimise the Council's financial shortfall.

VALUE FOR MONEY

The review has no financial impact.

THE REPORT

The report for the review is attached.

ISSUES FOR CONSIDERATION

As outlined in the attached report

IMPLICATIONS

Financial : None
Legal : None
Human Resources : None

RECOMMENDATIONS:

1. **That the review is closed**

2. **That PPMG3 is presented with complete pre-budget funding figures before they are submitted to Council so that they can scrutinise them with a view to finding savings in the next budget period**

3. **That the report be forwarded to the Executive**

ATTACHMENT:	**Y**
FILE REFERENCE:	Capital Budget Review report for Scrutiny 270709 v 0.1.doc
SOURCE DOCUMENT:	

Capital Budget
Scrutiny Review

August 2009

By PPMG3

Cllr Bowler
Cllr Rodda
Cllr Gray
Cllr Holmes
Cllr Morley
Cllr Phelan
Cllr Ward

After a meeting with the leader, deputy leader, the chair of scrutiny, the PPMG chairs agreed to take to Scrutiny a proposal to look at finding savings to address the shortfall in the budget.

This was agreed at Scrutiny on 13th April 2009 and PPMG3 were to look at Capital Programs

It soon became clear that this could not be done in the normal schedule of meetings and it was agreed that extra meetings were necessary.

I would therefore like to thank the members of the group and the members of the executive Dennis Kelly and Alan Tomlinson and all the officers who contributed to the report, and Bernadette O Donnell for producing the report.

Hazel Ward
Chair of PPMG3

Introduction

Identify savings in the Capital Budget by the end of Sept 09.
The review will cover all capital projects except vehicle purchases.

Reason for the review

The Leader and Deputy shared their concerns with the PPMG chairs about the shortfall in the budget and the impact of job evaluation. These concerns were taken to the Scrutiny Committee who agreed that all the groups would review the budget and PPMG3 agreed to identify any possible cash or efficiency savings within the capital programme.

The review

1. Overview of the capital finances and latest budget information

Dave Hill gave the group an overview of the Capital budget that was summarised for the next 3 years in the Medium Term Financial Plan 2009-2012 and demonstrates that it is reducing over that period. The capital is funded by one of the following:

- Grants (mainly government)
- Capital receipts (selling of major items e.g. land - 75% from house sale goes to the government)
- Revenue contributions (from council tax/rents which is reducing in the current climate)
- Prudential borrowing (the current rate of borrowing is 4.5% as it is not via commercial lenders i.e. the cost of borrowing £1 million would be £45k

Interest from capital is listed as revenue

Dave Hill discussed the cost of purchasing vehicles and equipment. He confirmed that there was a vehicle review being undertaken and led by Stuart Tomlinson (see section 4).

There is a capital bid scheme and applications were scored out of 60 points against the corporate aims, risks, exit strategy and revenue implications. These were all assessed last year but there was no money to fund them. If money is available there are no criteria to decide which bids are approved and it was felt that this was an area that members could consider.

Dave Hill confirmed that to make savings in this area the project would have to be delivered at a reduced cost as not delivering the project would not produce the efficiency saving. If the project is funded by a grant then the council would not get the benefit unless extra work could be delivered for the same price.

2. Overview of the regeneration capital finances

David Eccles gave the group an overview capital projects in regeneration.

South Normanton Joint Service Centre - confirmed that this was on hold at the moment and they are considering alternatives. This project was driven by Derbyshire County Council to group all the service together to benefit the residents. £1 million has been assigned but at this stage it is not clear what will be required and when.

Council land - confirmed that the Council had sold land and there was a limited amount that the Council still owned.

Private sector renewal areas - in the renewal areas external money has improved the housing conditions and the prices in those areas. They need to assess how much it will cost to complete the work that has been started and may consider input from landlords who have benefited from the improvements made. The Council will not be able to afford them because of the cost of borrowing. The review of private sector housing is nearly complete.

Asset management – this is now risk focused and will enable the Council to manage it's assets but will cost of £840k. This will highlight the assets that do not pay for themselves and enable challenge if they are retained. The asset plan now covered all the Council's assets and the status of them including the footpaths that the District Council own. This ensures that the Council have a full view of the status of all its assets. The plan focuses on the issues and where money needs to be spent so that priorities can be established. Council garages are not included as they are part of Housing.
The group questioned if the Asset Management Plan needed the £800,000 but it was confirmed that it would need more money to complete all the work identified. They also questioned why there was no money in future years and it was confirmed that they have to submit a capital bid. There would be some savings this year that would be rolled over to next year and reduce the size of the bid required.

Depot – the 2 old sites will be mothballed and rented out to bring in some income. If they are left empty for 6 months then the Council will be liable for 50% of the rates. They expect to develop or sell the land when the property market improves.

Kitchen Croft building – this had been let out to Business Link which had provided no benefit to the Council. It will be leased to the police for 25 years providing a £15k income to the Council.

Pleasley Mills - originally was a great scheme but now it is harder to manage the assets due to the health and safety requirements (DDA, fire and asbestos) to make it viable. They were trying to generate interested buyers but the market has changed. A member of the team has gone to a conference to try and promote the mills. There is revenue from the areas that are rented out and it does make a small profit but it is the capital costs that are a burden for the Council. It is a conservation area but it is not a listed building. There are 400 jobs at the site which does produce an income so he would not expect a new owner to change the situation however if the Council were to specify how it was used this would limit interested buyers. It is 70% occupied and mill 2 was in the worst condition but is in demand for storage. They are now looking at creating business space in towns which is more successful.

3. Details of individual capital projects

John Sherwood provided an overview of the capital budget round which inputs to the final capital projects that the members approve. He updated the group on the current projects:
New Houghton - this is in conjunction with Medan Valley who have contributed £2.7m against the Council's £1.5m. There may be some savings due to the change in the economic climate and that the tenders had come in lower than expected. These savings may be used for other areas. Bids have been made to regional housing to get external funding as the council's capital is reducing. In previous years they sold 100 council houses but this year they have only sold 7.
New Terrace Upper Pleasley – they have been working in this area for 20 years. The remaining £50k is to complete the final repairs. The Council money is minimal in comparison to the contribution from external agencies.
Byron Street Shirebrook – this has been ongoing over the last 3 years and the money is required to complete the repairs for the project.
Station Road Shirebrook – there has been £2.5m spent on this project mainly spent on demolition with the majority being external funding.
Disabled Facilities Grants – these are mandatory and the Council will need more to meet the needs as it is an increasing demand. They have received £270k from the government but the Council have to match the funding. This is not used for council house adaptations which are include in the Housing budget. There is no scope for savings as all contracts go out to tender in a competitive environment to ensure that we get value for money.

The scoring for the capital projects is biased towards these projects as they can often get match funding and ensures that the money goes further and works for the benefit of the Council. The benefit of the Council investing in the area will ensure that others invest in the area too. If a resident sells the house within 5 years they have to pay a proportion of the grant back to the Council.

The Head of Housing confirmed that for every £1 collected in rent :

- ⇨ 35p goes to the government
- ⇨ 30p is spent on repairs
- ⇨ 30p goes in to the capital fund
- ⇨ 5p is the management costs

The housing revenue is ring fenced to ensure the houses are maintained in the current condition. Previously capital has not been used for upgrades to council houses and that the money from the sale of properties or garages goes in to the capital pot and can be spent on anything e.g. the new depot. They have spent £4.5m this year to achieve the decent home standard by 31 December 2010 and it is on track to achieve the target. There is an officer/member group that met on a monthly basis to monitor the status of housing including the budget and they move money around if efficiencies are identified. There are no other savings to be made.

<u>Disabled adaptations</u> - the £150k in the capital project only covers the external work that has to be completed in this area as the small jobs are delivered internally and the total cost is in the region of £450k. There is no money supplied for council houses but there is money for private houses however it is means tested. There is a panel who consider the needs and weed out any that are unrealistic. It is mandatory for the district to provide them and any repayments of the grants go in to the DFG but to date there has not been any repayments. They are working with county on the best use of resource and regularly looking at efficiency but the demand is increasing.

<u>Tenants' aspirations</u> - this was money allocated from the Housing Revenue Account and was separate to the repairs and maintenance budget. They have set up 4 tenants participation groups in the contact centre areas and asked the group how they would like the money to be spent. This resulted in some areas getting new soffitts and facias, doors and a buggy park. The capital money from the HRA has to be spent on the council properties and that the majority was allocated to the bringing the properties to the Decent Homes Standard and a small amount was put towards tenants aspirations. The tenant's groups needed money to support the decisions that they were making.

4. Details of the fleet management review.

The grouped reviewed a copy of the Fleet Management Review Project Log. The group accepted that the purchase of all vehicles is on hold and being looked at by that project group and there would be no value in duplicating this work. The

group accepted that Cllr Kelly is a member of the project and would be able to keep them up to date on the development decisions within that project.
No further information was received by the group so no decision can be taken by the group in this area.

Conclusion

The review has provided the group with an understanding of how the capital projects operate. However after several meetings it became clear that the group could not find any savings simply because the budget was decided at the start of the budget period, which means that decisions on spend were already made. From the investigations made it is clear that officers are making efficiencies where they can e.g. reduced price of tenders in the current climate.

Recommendations:

Please see page ** of the covering report.