Performance and Resources
Overview and Scrutiny Committee

Capital Receipts
in
Buckinghamshire
County Council

September 2008
Executive Summary

1. During the scrutiny of Budget proposals for 2008/09 the Performance & Resources (P&R) Overview & Scrutiny Committee (OSC) identified that that there were significant risks associated with the delivery of the Buckinghamshire County Council (BCC) capital programme. In April 2008 the P&R OSC set up a Task & Finish Group (T&FG) to evaluate the current BCC capital receipts programme. The T&FG did not seek to review the BCC Capital Programme in its entirety and any sections of the report and resulting recommendations are contextual and have arisen from the primary focus on capital receipts.

2. The work of the T&FG was carried out over the period May to July 2008 and involved a number of meetings with officers and background research. The final report of the T&FG was considered by the P&R OSC on 9th September 2008. The T&FG have made a number of recommendations to improve the short to medium term position, but have concluded that the longer term outlook for capital receipts is poor and some alternative source of funding for the capital programme should be sought.

Recommendations

3. The Performance & Resources Overview & Scrutiny Committee recommends that:

- Cabinet ensures that the Capital Investment Strategy and its associated processes identifies both the short term and long term capital investment required to deliver quality local public services in Buckinghamshire.

- Cabinet ensures that processes are in place to strike an appropriate balance between the funding demands of the Capital Programme and the value of properties sold.

- Cabinet evaluate the current progress of the Local Access Strategy programme and agree a BCC Strategic Property Vision by 1st January 2009.

- Cabinet initiate a Property Service evaluation of the likely capital receipts from a programme of additional disposals based on the Lambert Smith Hampden Strategic Property Review, Phase 1 Report, together with the likely redeployment costs and management costs.

- Cabinet to review the existing disposal policy for the agricultural estate and consider the disposal of the bulk of the remaining estate to a single estate/management/investment organisation.

- P&R OSC to review the progress of recommendations accepted by Cabinet in April 2009.
PERFORMANCE & RESOURCES OVERVIEW & SCRUTINY COMMITTEE

INTRODUCTION

Why was the review carried out?

4. The Performance & Resources (P&R) Overview & Scrutiny Committee (OSC) identified during the scrutiny of the budget proposals for 2008/09 that there were levels of risk associated with the delivery of the BCC capital programme which were of concern. Subsequently, during the review of Property Services, the OSC expressed concern about the capital receipts process and decided to evaluate the risks associated with achieving the capital receipt targets required to fund the agreed capital programme.

How the review was carried out

5. The P&R OSC decided at their meeting on 1st April 2008 that a Task and Finish Group (T&FG) of 3 Members should be formed to carry out the work. The T&FG consisted of:

<table>
<thead>
<tr>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mike Appleyard</td>
</tr>
<tr>
<td>Trevor Egleton (Lead)</td>
</tr>
<tr>
<td>Alan Oxley</td>
</tr>
</tbody>
</table>

6. The T&FG gathered evidence from:

- A full meeting of the OSC who were advised of the BCC capital receipts strategy by the Strategic Director for Resources Portfolio and Graham Morley, Property Services, Corporate Property & Facilities Manager.
- A review of published BCC documents, including Internal Audit reports.
- Meeting with Graham Morley, Property Services, Corporate Property & Facilities Manager.
- A meeting with Chris Munday, Divisional Director of Commissioning & Business Improvement, Children & Young People’s services.
- A meeting with the John Huskinson, Financial Services Manager, Finance Service
- A literature review.

7. The T&FG would like to thank Graham Morley, Chris Munday and John Huskinson for their contributions to this review.

THE CONTEXT

8. The Government growth agenda has identified Aylesbury within the Milton Keynes and South Midlands Growth Area as an area of significant expansion with 15,000 new homes to be built over the period 2001 – 2021 and an additional 3,300 homes in the Vale of Aylesbury. This growth will be overseen by Aylesbury Vale Advantage, who with BCC and Aylesbury Vale District Council commissioned consultants Colin Buchanan, Hewdon Consulting and Davis Langdon to carry out a study into the long-term infrastructure requirements for the Aylesbury Vale District and the remainder of Buckinghamshire. The work was carried out in 2 phases; Phase 1 covered Aylesbury Vale and Phase 2 the rest of Buckinghamshire. The Phase 1 study identified the need for £1.3B of infrastructure capital funding over the period 2006 to 2026. The areas of significance for BCC have been extracted from the complete table and are summarised overleaf in Table 1:

---

2 [http://www.aylesburyvaleadvantage.co.uk/index.cfm/ava/About.Home](http://www.aylesburyvaleadvantage.co.uk/index.cfm/ava/About.Home)
3 [http://www.aylesburyvaleadvantage.co.uk/index.cfm/ava/Projects.Infrastructure](http://www.aylesburyvaleadvantage.co.uk/index.cfm/ava/Projects.Infrastructure)
9. The Phase 2 report[^1] concludes that for the remainder of Buckinghamshire the primary issue is not one of housing growth, but of demographic change, particularly an ageing population. No estimates are given for the likely infrastructure funding requirements as service providers were not in a position to provide them. However, the report did conclude that capital funding was required for incremental investment, rather than for large capital projects, with the exception of a £12M regional coach way scheme in High Wycombe.

10. The T&FG concluded that whilst much of the funding requirement for additional infrastructure will be met from Government grants and developer contributions, the sheer scale of the infrastructure demands of the growth agenda between now and 2026 will undoubtedly have significant implications for the future BCC Capital programme.

11. The current Pathfinder programme currently makes no provision for the rationalisation of County/District property holdings as a result of more integrated service delivery, but property implications are likely to be considered at a later stage in the programme.

12. The BCC Transformation programme now includes a Gold Project on Property which will be seeking to ensure that the Council has an appropriate and sustainable property portfolio. One stream of this work includes building on the Lambert Smith Hampden (LSH) Strategic Property Review (SPR) outcomes and it will consider the need for future development, acquisitions and disposals.

[^1]: Buckinghamshire Infrastructure Study, Phase 2: South Buckinghamshire Final Report dated April 2008
13. Capital Expenditure is defined as “expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.”

14. The current BCC Capital Programme was agreed by Council on 21st February 2008 and the Gross Cost of the programme and financing elements are reproduced below in Table 2:

<table>
<thead>
<tr>
<th></th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
<th>Future Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Cost of Capital Programme</td>
<td>44,080</td>
<td>36,080</td>
<td>27,987</td>
<td>5,115</td>
<td>113,262</td>
</tr>
<tr>
<td>Direct Funding</td>
<td>(24,407)</td>
<td>(18,758)</td>
<td>(11,384)</td>
<td>(5,075)</td>
<td>(59,626)</td>
</tr>
<tr>
<td>Net Cost of Capital Programme</td>
<td>19,671</td>
<td>17,322</td>
<td>16,603</td>
<td>40</td>
<td>53,636</td>
</tr>
</tbody>
</table>

Central Financing – BCC Funding Requirement

<table>
<thead>
<tr>
<th></th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
<th>Future Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Receipts</td>
<td>(11,500)</td>
<td>(10,582)</td>
<td>(7,582)</td>
<td>0</td>
<td>(29,664)</td>
</tr>
<tr>
<td>Revenue Contribution to Capital Reserve</td>
<td>(2,767)</td>
<td>(5,433)</td>
<td>(8,133)</td>
<td>0</td>
<td>(16,333)</td>
</tr>
<tr>
<td>Use of Reserves</td>
<td>(5,245)</td>
<td></td>
<td></td>
<td>-</td>
<td>(5,245)</td>
</tr>
<tr>
<td>Prudential Borrowing</td>
<td>-</td>
<td>(1,600)</td>
<td>(1,000)</td>
<td>-</td>
<td>(2,600)</td>
</tr>
<tr>
<td>Total Central Funding</td>
<td>(19,512)</td>
<td>(17,615)</td>
<td>(16,715)</td>
<td>0</td>
<td>(53,842)</td>
</tr>
<tr>
<td>Under/Over Commitment</td>
<td>159</td>
<td>(293)</td>
<td>(112)</td>
<td>40</td>
<td>(206)</td>
</tr>
</tbody>
</table>

15. The BCC Capital Investment Strategy dated July 2007, was approved by the Cabinet Member for Resources on 1st August 2007 and covers all aspects of the Council’s capital expenditure including the process to be adopted for capital schemes, timetable and governance arrangements. The Capital Investment Strategy sets out a 4 stage process of allocating resources to capital schemes as shown below:

---

5 2008/09 CIPFA Statement of Recommended Accounting Practice (SORP) Section 9 (Glossary), page 149.
6 County Council Agenda papers Appendix 5, Draft Capital Programme 2008/09 to 2010/11
7 BCC Intranet/Services/Finance/A to Z"C for Capital/Capital Investment Strategy
16. The strategy identifies\(^8\) the following as potential sources of funding for the capital programme:

- Prudential Borrowing
- Capital Receipts through the disposal of assets.
- Grants from various organisations
- Contributions e.g. S106 agreements
- Private Public Partnership (PPP) including Private Finance Initiative (PFI)
- Leasing
- Revenue contributions
- Earmarked Reserves (including Repairs & Renewals fund).

17. In 2001/02 the Government introduced a mechanism for damping grant changes, based on the concept of floors and ceilings. The ceilings were subsequently abolished in 2004/05. The system ensures that no authority receives less than a minimum percentage increase (the floor) each year. The system is self funded in that authorities who are below the floor and receive additional grant are funded by scaling back on the grant paid to authorities who are above the floor. BCC are a floor authority and as such are likely to receive only the floor increase for the foreseeable future. Grant to support capital borrowing is already included in the formula grant before any floor adjustment is made\(^9\).

18. The charts below show the reducing proportion of capital receipts and the increasing significance of prudential borrowing for 2006/07 and 2007/08 capital programmes.

19. The BCC capital strategy is very much focussed on allocating priorities to proposals for capital expenditure, so that the programme of work can be tailored to the available funding. Schemes that are not approved are held in a “proposed preparation pool for consideration when additional resources become available”. However, there are currently no schemes held in the “proposed preparation pool”, the implication being that all capital schemes required by BCC are fully funded.

20. The T&FG identified a number of examples of capital underfunding including the lack of progress in the implementation of Electronic Document Management, which has led to pressure on existing accommodation by the continued need to store paper documents, shown in photographs 1 & 2.

---

\(^8\) Capital Investment Strategy dated July 2007 Paragraph 26
\(^9\) Teachernet FAQs – Local Authorities
21. In addition, the lack of meeting rooms throughout the Council has been met by short-term measures as illustrated in photograph 3 rather than the investment of capital resources to implement a long-term solution.

22. The T&FG found that although the Capital Investment Strategy should have led to the identification of essential capital expenditure (Stage 1), the strategy and its associated processes have failed to identify the full extent of the capital expenditure required, as evidenced by the lack of bids in the proposed preparation pool. The conclusion was that the implementation of the strategy was very much predicated on the funding available and did not identify the full extent of the capital investment required to deliver quality services.

Recommendation 1:
Cabinet ensures that the Capital Investment Strategy and its associated processes identifies both the short term and long term capital investment required to deliver quality local public services in Buckinghamshire.
What Are Capital Receipts?

23. The Council receives capital receipts when assets are sold on the open market and the proceeds from these sales are held in a central corporate “pot” (Usable Capital Receipts Reserve) to support the agreed BCC Capital Programme. In the case of BCC this usually involves the sale of individual farms from the agricultural estate or the sale of properties, which are no longer required for service delivery. Existing policies call for the disposal of farms from the agricultural estate when the tenancy becomes vacant and the sale of properties, which are declared surplus by BCC services. In the past this has resulted in the realisation of significant sums for the Council as illustrated in Chart 1 overleaf:

24. Chart 1 shows particularly low receipts for 2007/08 and the red trend line shows a declining value of capital receipts from 2005/06. If you add the initial projections provided to the T&FG for capital receipts in the current BCC Capital Programme contained in Table 1, the trend is still significantly down to the end of the period, as shown in Chart 2 below.
25. The initial projections have recently been revised significantly downwards by Property Services and the amended projections are shown below in Chart 3 below.

![Annual Capital Receipts (£M)](image)

26. Capital Receipts form an important element of the BCC Central funding of the capital programme. Table 3 below shows the percentage of Central Funding attributable to capital receipts:

<table>
<thead>
<tr>
<th>Table 3 –</th>
<th>2008/9</th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Receipts</td>
<td>(11,500)</td>
<td>(10,582)</td>
<td>(7,582)</td>
</tr>
<tr>
<td>Total Central Funding</td>
<td>(19,512)</td>
<td>(17,615)</td>
<td>(16,715)</td>
</tr>
<tr>
<td>% Central Funding Attributable to Capital Receipts</td>
<td>58.9%</td>
<td>60.1%</td>
<td>45.4%</td>
</tr>
</tbody>
</table>

What is our Asset Base?

27. Capital Receipts are obtained from the sale of BCC land and property holdings which comprise the asset base. The chart below shows the estimated values of the constituent parts of the asset base:

![BUCKINGHAMSHIRE COUNTY COUNCIL ASSET BASE](image)

Notes:
1. Transportation excludes highway land and land held for highway improvement lines.
2. Other corporate includes: Adult Social Care, Culture & Learning, Children’s Services (excluding schools), Youth & Community, Country Parks & Picnic sites, Waste sites, Gypsy sites, Administrative offices and surplus property.
28. Table 4 below is a summary of the Property Services Schedule of Estimated Receipts from Major Capital Disposals showing the initial figures provided and updated figures:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties</td>
<td>£0</td>
<td>£4,900,000</td>
<td>£3,100,000</td>
<td>£300,000</td>
<td>£0</td>
</tr>
<tr>
<td>Land</td>
<td>£621,390</td>
<td>£1,000,000</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Agricultural Estate</td>
<td>£2,226,000</td>
<td>£800,000</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Schools</td>
<td>£0</td>
<td>£5,200,000</td>
<td>£6,000,000</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Libraries</td>
<td>£0</td>
<td>£1,300,000</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Other</td>
<td>£1,272,000</td>
<td>£300,000</td>
<td>£0</td>
<td>£200,000</td>
<td>£0</td>
</tr>
<tr>
<td><strong>INITIAL TOTAL</strong></td>
<td><strong>£4,119,390</strong></td>
<td><strong>£13,500,000</strong></td>
<td><strong>£9,100,000</strong></td>
<td><strong>£500,000</strong></td>
<td><strong>£0</strong></td>
</tr>
<tr>
<td><strong>UPDATED TOTALS</strong></td>
<td><strong>£4,119,390</strong></td>
<td><strong>£5,000,000</strong></td>
<td><strong>£5,000,000</strong></td>
<td><strong>£5,500,000</strong></td>
<td><strong>NK</strong></td>
</tr>
</tbody>
</table>

29. The 2007/08 values are actual sums achieved and values for future years are estimated values. The main features of this table are:

- significant reduction in the updated figures for capital receipts in 2008/09.
- lack of anticipated capital receipts from 2011/12 onwards.

30. The T&FG looked at the potential disposal of the former Raans Road Playing Field in Amersham which has an estimated capital receipt of £6M in 2009/10. The chronology of events below illustrates the protracted timescales that are sometimes required to realise capital receipts:

- March 2002 – Adjoining former Grounds Maintenance Unit land declared surplus.
- May 2003 - Bruton Knowles and Broadway Malyan report on residential development potential.
- May 2006 – Cabinet Member decision to grant 5 year option to developer who will seek planning permission.
- June 2008 – Planning application refused by Chiltern District Council.
- 2009/10 – Estimated capital receipt of £6M.

31. The estimated value of the site is based on the developer obtaining planning permission for up to 84 houses. If the developer is unable to obtain planning permission for a significant number of houses then the value of the site will be significantly reduced. The T&FG concluded that, for this example, both the estimated value and the timing for the realisation of this capital receipt were high risk.
32. The T&FG then looked at the background to the current programme of disposals shown in Table 4, which is kept under review by Property Services. Current arrangements for the disposal of surplus property were insufficiently responsive to variations in the property market and as a result it had not been possible to dispose of properties at a time when the maximum disposal value could be obtained. The T&FG concluded that there are significant risks attached to the timing of the current programme of capital receipts and that processes should be put in place to ensure that properties are not disposed of for a lower value, just to meet timings for receipts. In some circumstances short term borrowing may be preferable to the disposal of property at a time when property values have fallen. The T&FG recognised that a balance may have to be struck between the funding demands of the Capital Programme and value of properties being realised at the time. A much closer working relationship between Property and Finance staff may be required on the Capital Programme to ensure that the correct balance is struck.

**Recommendation 2**
Cabinet ensures that processes are in place to strike an appropriate balance between the funding demands of the Capital Programme and the value of properties sold.

33. The T&FG concluded that significant progress in the realisation of capital receipts from the strategic disposal of surplus property cannot be made until a Strategic Property vision is agreed. The absence of such a vision whilst the service delivery and property implications of the emerging Local Access Strategy and the implications of the Pathfinder programme are thought through means that any strategic approach to property assets is difficult. Pathfinder activities are currently not focussing on property issues, but there are likely to be significant long term efficiencies in both revenue and capital expenditure from a rationalisation of BCC, District Council and PCT property holdings. A way forward would be to agree and publish a BCC Strategic Property vision in the short term which would take into account the Local Access Strategy and then to use this as a property baseline in subsequent Pathfinder negotiations.

**Recommendation 3:**
Cabinet evaluate the current progress of the Local Access Strategy programme and agree a BCC Strategic Property Vision by 1st January 2009.

34. Phase 1 of the Lambert Smith Hampden (LSH) Strategic Property Review (SPR) looked at the whole of BCC estate over a 2 year period, with the exception of schools. The review scored each of the assets against 7 criteria; Fit for Purpose, Existing Utilisation, Accessibility, Liabilities, Re-provision Cost, Alternative Use Value and Sustainability. The resulting score reflects an overall assessment of an asset and those which score between 0 and 15 do not meet requirements. Scores between 16 and 29 meet some requirements, but overall suitability should be challenged. Scores between 30 and 42 score well and are well suited to their existing use.

**Why are Capital Receipts Declining?**

35. The T&FG concluded that there were three main reasons why BCC capital receipts are declining so dramatically:

- The impact of the current credit crisis and the increasing reluctance of developers in Buckinghamshire to commit funding to large housing developments have seen a significant reduction in receipts in 2007/08. There have been cases where developers have withdrawn at the last minute from positions which have taken many months to negotiate. Residential land prices in the South East fell by 12% in the first quarter of
2008 and Taylor Wimpey and Barratts have halted much of their land buying\textsuperscript{10}. Although initially the impact was thought to merely delay capital receipts until the following year, as the credit crisis has progressively deepened, increasingly estimates for future capital receipts are being questioned.

- There are no capital receipts identified after 2010/11 because of the uncertainties surrounding the location of future service delivery, support arrangements and the lack of a strategic property function. The Council does not have a fully developed and agreed Strategic Property vision and is trying to reconcile the emerging BCC Local Access Strategy (GC2C) and Customer First programmes with the demands of the Pathfinder programme and the shared service agenda. The Internal Audit of Property Asset Management in 2007\textsuperscript{11} resulted in an overall audit opinion of POOR and concluded that a “Property Strategy should be finalised as soon as possible and recommended for approval to COMT and Cabinet”. The lack of a strategic property management capacity means that implementation of the recommendations of the 2 year programme of Strategic Property Reviews (SPR) carried out by Lambert Smith Hampton (LSH) can only be implemented in part through the BCC Transformation programme.

- In past years when primary schools have been amalgamated the Council has been able to sell the surplus land for development. The Department for Children, Schools & Families (DCSF) now require that the use of any capital receipts from the sale of school sites is subject to the rules covering the protection of school playing fields\textsuperscript{12}. This means that any capital receipts realised will have to be reinvested in improved sports facilities or used to meet educational priorities and cannot be used to support the BCC Capital Programme.

36. Declining capital receipts are not unique to BCC and are impacting on Councils across the country. The graph below\textsuperscript{13} shows the reduction in capital receipts from a high of 29.6% in 1990/91 to a range of values between 22.6% and 15.8% between 1995/96 and 2005/06 and the increase in unsupported borrowing (Other) from a negligible value to 20.8% over the same period.

37. The Local Government Act 2003 set out a new financial power for local authorities to use unsupported prudential borrowing for capital investment\textsuperscript{14}. It was envisaged that the prudential

\textsuperscript{10} EGi – News Home article dated 5\textsuperscript{th} April 2008
\textsuperscript{11} BCC Internal Audit Report ‘Property Asset Management’ Ref: A60-04 dated 13 Feb 2008
\textsuperscript{12} DCSF The Protection of School Playing Fields and Land for Academies dated July 2007
\textsuperscript{13} Extracted from the CIPFA Councillors’ Guide to Local Government Finance 2007, Fully Revised Edition
\textsuperscript{14} LGA Using Prudential Borrowing: ‘One year on’ dated October 2005
capital system would play a key role in helping local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. Although the system is largely self-regulating it is underpinned by The Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code. From 1 April 2004 Councils have been required to have regard to the code which seeks to ensure that the capital plans of Councils are affordable, prudent and sustainable. Each year CIPFA publish the results from a survey of Councils that shows minimum, Lower Quartile, Upper Quartile and Maximum values for all Prudential Indicators. The published CIPFA values enable a Council to determine the relative position of its own Prudential Indicators against similar Councils.

What is the outlook for Capital Disposals?

38. The Valuation Office Agency (VOA)\textsuperscript{15} agricultural land forecast in January 2008\textsuperscript{16} estimates that there will be a 41% increase in "unequipped"\textsuperscript{17} land prices between January 2008 and January 2013 and a 16% rise over the same period for "equipped" agricultural land. However, there have been more recent reports that, in contrast to falling residential and commercial property values, have seen the average price of farmland rise by 10% in the first quarter of 2008\textsuperscript{18}. The general view seems to be that if anything the credit crunch has strengthened the agricultural market and that British farm land prices are still relatively cheap by western European standards.

39. The longer term view of the value of residential land remains encouraging. The Valuation Office Agency (VOA) Property Market Report in January 2008 forecast that the cost of residential land would rise by over 50% between January 2008 and January 2013. Typical values for sites in Aylesbury range from £4.15M per hectare for small sites suitable for less than 5 houses to £6M per hectare for sites suitable for flats or maisonettes. Each disposal would have its own unique issues which will impact on the final value achieved, but it seems likely that the value of the assets that we have will continue to appreciate over the next 5 years. The issue seems to be that because of the current credit crisis developers are unable to commit/obtain the financing to proceed with developments. This will impact the timing of capital receipts, but not the value of the assets being disposed of provided a longer term view is taken.

What Can We Do About It?

ADDITIONAL DISPOSALS

40. Following the publication of Phase 1 of the LSH SPR and the identification of 21 properties that are considered unsuitable for service delivery, the disposal of those properties that will not be upgraded to support service delivery would support the current capital receipts programme. A number of the 21 properties have already been refurbished or are required for future service delivery. The T&FG concluded that there are likely to be 16 properties listed at Annex A which the LSH SPR has identified as not meeting requirements that could form the basis of an additional programme of disposals.

Recommendation 4:
Cabinet initiate a Property Service evaluation of the likely capital receipts from a programme of additional disposals based on the LSH SPR, Phase 1 Report, together with the likely redeployment costs and management costs.

\textsuperscript{15}An executive agency of HM Revenue & Customs (HMRC)
\textsuperscript{16}http://www.voa.gov.uk/publications/property_market_report/pmr_jan_08/agricultural_land_forecast.htm
\textsuperscript{17}“Unequipped” land also know as “bare” land compares with “Equipped” which is land which includes farmhouse and buildings.
\textsuperscript{18}The Independent “Fields of gold: Investors discover lucrative haven in Britain’s farmland dated 17 April 2008.
AGRICULTURAL ESTATE

41. BCC currently owns an agricultural estate of approximately 64 freehold mixed and general farms totalling some 1,529 hectares which was valued at £7.2M in 2007. The history of Council involvement in agricultural land holdings goes back to the Smallholdings Act of 1892. Subsequently the 1948 Agricultural Holdings Act changed the emphasis from resettlement to providing a start in farming for those lacking the capital to purchase their own land. Over the years BCC has disposed of a considerable proportion of its agricultural land holdings and the current policy is one of “dispose when vacant” unless there is an exceptional reason to retain the holding, such as increased future value (mineral extraction) or to protect the green belt. The agricultural estate produces an annual income of approximately £350K which is used to support the Planning & Environment Service. The BCC Capital programme is used to fund farm maintenance activities and the estate is managed by BCC staff in Property Services.

42. The T&FG were of the opinion that agricultural holdings should not be retained to protect the Green Belt as this would be protected by Planning Legislation and concluded that consideration should be given to the disposal of the bulk of the current agricultural estate and only holdings which were required for exceptional reasons should be retained. The rationale for the disposal was that

- The management of the agricultural estate is not “core” County Council business.
- A considerable capital receipt, in excess of £7.2M is likely from the sale of the estate to a private management/investment company as a result of the increased value of agricultural land.
- Both revenue and capital savings are likely.

Recommendation 5:
Cabinet to review the existing disposal policy for the agricultural estate and consider the disposal of the bulk of the remaining estate to a single estate/management/investment organisation.

ADDITIONAL BORROWING

43. Current BCC long term borrowing amounts to £250,061. The T&FG considered the affordability of additional prudential borrowing by evaluating the BCC position against other County Councils. A summary of the 4 prudential indicators is shown below in Table 4 and shows that:

- The ratio of financing costs to net revenue stream is above average.
- The impact on Council Tax is below average
- The Net Borrowing is well below average.
- The Capital Financing Requirement is well below average.

19 CIPFA Revenue Account Estate Asset Value as of 31 March 2007
20 BCC Draft Statement of Accounts for Year Ending 31 March 2008 Note 35
Table 4

<table>
<thead>
<tr>
<th>Ratio of Financing Costs to Net Revenue Stream</th>
<th>%</th>
<th>CIPFA Forecast Boundaries 2008/09</th>
<th>BCC 2008/09 Value</th>
<th>BCC Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max: 13.90</td>
<td></td>
<td>UQ : 8.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Med: 6.63</td>
<td></td>
<td>LQ : 4.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Min: 0.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7.1</td>
<td>Between Median and UQ</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Estimate of Change in Band D equivalent Council Tax | £:p | Max: 47.25 | UQ : 20.43 | Med: 10.38 | LQ : 6.06 | Min: 0.54 | 7.46 | Between LQ and Median |

| Net Borrowing | £000s | Max: 814,400 | UQ : 345,000 | Med: 147,096 | LQ : 147,096 | Min: 11,808 | 101,829 | Between Minimum and LQ |


44. The T&FG concluded that as the financing costs of borrowing in relation to revenue were already above average and there was little scope for large additional unsupported borrowing unless Members decided that there were no other alternative ways of raising funding and it was necessary to increase borrowing to finance essential capital schemes.

**MEMBER INVOLVEMENT**

45. The T&FG examined Member involvement with the 4 stage Capital process set out in para 15. In 2008 a revised MTP process is being adopted whereby the Member group challenge will be carried out by a group of majority group Members. The T&FG concluded that Member involvement was adequate, provided the documentation provided to support the majority group Member challenge clearly sets out:

- The programme of capital investment.
- The various funding sources.
- The risks associated with the funding sources.

46. The T&FG would recommend to P&R OSC that the planned 2009/10 Budget Review by P&R include an evaluation of the risks associated with the funding of any proposed capital programme.
LONG TERM OUTCOMES

47. The T&FG concluded that whilst significant capital receipts could be anticipated in the short to medium term from current activities, implementation of the LSH SPR reviews, disposal of the agricultural estate and rationalisation of property emerging from the implementation of the Local Access Strategy and Pathfinder activities, in the longer term the outlook was not promising. Once surplus properties have been disposed of and services reconfigured, there is likely to be a continuing requirement for a BCC funded capital programme in addition to that capital programme which will be funded by Government grants. Some alternative long-term funding mechanism will be required to replace the current capital receipts funding. There is considerable work currently being undertaken by:

- Finance on the future management of the capital programme.
- Planning & Environment on infrastructure planning

48. The T&FG recommended that the progress of the recommendations of this report agreed by Cabinet should be reviewed by P&R OSC in February 2009.

Recommendation 6:
P&R OSC to review the progress of recommendations accepted by Cabinet in April 2009.

Annexes:

A Properties Identified by LSH SPR as not meeting Requirements
## Annex A

Properties Identified by LSH SPR as Not Meeting Requirements

<table>
<thead>
<tr>
<th>Ser No</th>
<th>Location</th>
<th>Service</th>
<th>LSH SPR Score</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1011</td>
<td>21 West Wycombe Road</td>
<td>Planning &amp; Transportation</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>1033</td>
<td>Chalfont St Peter Highways Depot, Gravel Hill, Gerrards Cross</td>
<td>Planning &amp; Transportation</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>1046</td>
<td>20 Ellesborough Road, Aylesbury</td>
<td>Planning &amp; Transportation</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>1305</td>
<td>BCC Sports &amp; Social Club, Stoke Mandeville, HP21 9DR</td>
<td>Policy &amp; Resources</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>Old Police Station, Beaconsfield, HP9 2JJ</td>
<td>Policy &amp; Resources</td>
<td>12</td>
<td>Refurbished for use by ASC.</td>
</tr>
<tr>
<td>1946</td>
<td>323 West Wycombe Road</td>
<td>Planning &amp; Transportation</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>2604</td>
<td>Gotts Monument, Chalfont St Peter</td>
<td>Valuer &amp; Land Agent</td>
<td>13</td>
<td>No development potential</td>
</tr>
<tr>
<td>3027</td>
<td>Well Street Centre, Buckingham, MK18 1EN</td>
<td>Adult Services</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>3112</td>
<td>Ivinghoe Environmental Studies Centre, LU7 9EX</td>
<td>Childrens Services</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>3356</td>
<td>3 Priory Avenue, High Wycombe</td>
<td>Planning &amp; Transportation</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>3567</td>
<td>Micklefield Library, High Wycombe, HP13 7HU</td>
<td>Culture &amp; Learning</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>3568</td>
<td>West Wycombe Library, HP14 3AE</td>
<td>Culture &amp; Learning</td>
<td>15</td>
<td>Community library</td>
</tr>
<tr>
<td>3615</td>
<td>Former Magistrates Court, Beaconsfield, HP9 2JJ</td>
<td>Policy &amp; Resources</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>4162</td>
<td>149 Lower Road, Stoke Mandeville, HP21 9DR</td>
<td>Policy &amp; Resources</td>
<td>15</td>
<td>Leased by ASC/Housing Association</td>
</tr>
<tr>
<td>4163</td>
<td>151 Lower Road, Stoke Mandeville, HP21 9DR</td>
<td>Policy &amp; Resources</td>
<td>14</td>
<td>Leased by ASC/Housing Association</td>
</tr>
<tr>
<td>4534</td>
<td>1 Priory Avenue, High Wycombe</td>
<td>Planning &amp; Transportation</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>100004</td>
<td>13-15 West Wycombe Road, HP12 3DL</td>
<td>Planning &amp; Transportation</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>100007</td>
<td>Former Highways Depot, Soulbury Road, Wing</td>
<td>Planning &amp; Transportation</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>100008</td>
<td>Billet Lodge, Uxbridge Road, Wexham, SL0 0LW</td>
<td>Valuer &amp; Land Agent</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>100009</td>
<td>Foresters Lodge, Uxbridge Road, Wexham, SL0 0LW</td>
<td>Valuer &amp; Land Agent</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>10010</td>
<td>Avenue Lodge, Uxbridge Road, Wexham, SL3 6DW</td>
<td>Valuer &amp; Land Agent</td>
<td>13</td>
<td></td>
</tr>
</tbody>
</table>