



## CABINET REPORT

<b>Report Title</b>	<b>CAPITAL PROGRAMME 2008-09 – OUTTURN POSITION</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	29 June 2009
<b>Key Decision:</b>	NO
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Finance & Support
<b>Accountable Cabinet Member:</b>	Cllr David Perkins
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

1.1 The purpose of the report is:

a) To inform Cabinet of:

- The outturn expenditure and funding position for the Council's capital programme for 2008-09.
- The slippage of unfinished schemes and unapplied funding from 2008-09 into the Council's capital programme for 2009-10
- Funding issues arising in 2009-10 as a result of capital receipts shortfalls in 2008-09

## **2. Recommendations**

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### **2.1 That Cabinet note:**

- a) The outturn position for the Council's capital programme for 2008-09 and how the expenditure was financed.
- b) The slippage of unfinished schemes from 2008-09 into the 2009-10 capital programme, and how the planned expenditure is to be funded.
- c) Funding issues arising in 2009-10 as a result of capital receipts shortfalls in 2008-09

## **3. Issues and Choices**

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### **3.1 Report Background**

- 3.1.1 Council approved the Council's original capital programme for 2008-09 on 25 February 2008. Changes to the capital programme have been approved at Cabinet meetings throughout 2008-09.

### **3.2 Issues**

#### **Capital Outturn and Financing 2008-09**

- 3.2.1 The Council's final approved budget for capital programme expenditure in 2008-09, agreed by Cabinet on 18 March 2009, was £20.637m.
- 3.2.2 The overall programme was re-assessed at year-end to take account of any changes identified through the closedown process. A small number of capital items were identified as having been purchased through revenue and included in the revenue budget. The expenditure and funding for these have now been incorporated into the capital programme, and these items are included in the latest budgeted position. These changes resulted in an overall programme increase of £100k to £20.737m.
- 3.2.3 A major change in accounting treatment has also impacted on the final capital programme budget. Revenue expenditure funded from capital under statute, previously known as deferred charges and included in the capital programme, must now be shown directly in the revenue budget. As this encompasses expenditure under capitalisation directives and grants to third parties for capital expenditure, such as Disabled Facilities Grants and other private sector housing grants, it covers a significant part of the capital programme. The capital programme budget has therefore been reduced by £5.223m to reflect this change; the actual expenditure of £3.140m is now in revenue and will be reported as part of the revenue budget outturn.

3.2.4 Further changes to estimated financing totalled £362k. The most significant movements were as follows:

- External funding of £500k for the Chrysalis Centre was not sanctioned by NEL and has therefore been removed from the funding sources. The scheme is unable to proceed without the external funding.
- Section 106 monies of £89k for affordable housing, have been used to fund the HRA archangel square development scheme.

3.2.5 Details of the changes outlined at paragraphs 3.2.3 and 3.2.4 are included in Annex A1 to the report.

3.2.6 A number of self-balancing changes were made at year-end to HRA planned financing for 2008-09, with no overall impact on available funds. These include movements between MRA, supported borrowing and revenue contributions

3.2.7 The final available funding for the 2008-09 capital programme expenditure was £15.152m. The following table summarises the financing changes set out above.

<b>Capital Programme 2008-09</b>	
	<b>£000</b>
Final approved budget – Cabinet 18 March 2009	20,637
Plus:	
Capital expenditure transferred from revenue (and other changes identified at year end)	100
Less:	
Revenue expenditure funded from capital under statute	(5,223)
Changes to available financing	(362)
<b>Final available financing</b>	<b>15,152</b>

3.2.8 Capital expenditure for 2008-09 totalled £11.115m against the final available budget of £15.152m. The outturn expenditure against budget for the Council's capital programme for 2008-09 is summarised in the table below; the outturn variance is reported against the final available budget position.

<b>Capital Expenditure 2008-09</b>	<b>Latest Approved Budget  As at 18<sup>th</sup> March 2009</b>	<b>Latest Budgeted Position</b>	<b>Final Available Budget</b>	<b>Outturn</b>	<b>Variance to Final Available Budget</b>
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>					
Finance & Support	3,164	3,178	1,952	1,532	(420)
Environment & Culture	2,139	2,190	2,190	962	(1,228)
Planning & Regeneration	1,069	1,071	560	419	(141)
Assist Chief Executive	493	495	229	214	(15)
Housing General Fund	3,782	3,814	142	64	(78)
<b>HRA</b>					
Housing	9,990	9,990	10,079	7,925	(2,154)
<b>Total</b>	<b>20,637</b>	<b>20,737</b>	<b>15,152</b>	<b>11,116</b>	<b>(4,036)</b>

3.2.9 This information is shown in more detail at Annex A1 with explanations of the reasons for any significant variances.

3.2.10 Annex A2 shows the forecast outturn position for each service as at period 11 with explanations of the reasons for any significant variances.

3.2.11 The table below shows how the capital programme for 2008-09 has been funded.

<b>Financing of Capital Programme 2008-09</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Supported Borrowing	0	500	500
Prudential Borrowing	1,608	0	1,608
Capital Receipts	124	0	124
Major Repairs Allowance	0	7,336	7,336
Government Grants	846	0	846
Third Party Contributions	94	89	183
Revenue Contributions	519	0	519
<b>Total</b>	<b>3,191</b>	<b>7,925</b>	<b>11,116</b>

## Capital Slippage 2008-09

3.2.12 On 29 January 2007 Cabinet approved the following:

“... the principle that slippage between years for capital schemes .... should be more automatic, subject to the approval of the Council’s Chief Financial Officer (or nominated representative). A report would then be brought to Cabinet after the end of each financial year detailing the capital outturn and reporting the approved slippage ..... it will be adopted for the 2006/07 financial year onwards and will be more explicitly detailed in the Council’s Financial Management Framework which is currently under review“

3.2.13 The table below shows the amount of slippage to be brought forward from 2008-09 into the 2009-10 capital programme.

<b>Capital Slippage 2008-09</b>	<b>£000</b>
<b>General Fund</b>	
Finance & Support	410
Environment & Culture	1,156
Planning & Regeneration	34
Assistant Chief Exec	7
Housing General Fund	47
<b>HRA</b>	
Housing	2,154
<b>Total</b>	<b>3,809</b>

3.2.14 The slippage details are shown in a scheme by scheme basis at Annex B

- 3.2.15 £12.918m of capital funding is available to be carried forward to 2009-10. £3.809m of this total amount is required to fund slippage. The table below shows how the slippage brought forward from 2008-09 into the 2009-10 capital programme will be funded.

<b>Financing of 2008-9 Capital Programme Slippage in 2009-10</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Brought Forward Funding</b>			
Supported Borrowing			
Prudential Borrowing	538		
Capital Receipts		198	
Major Repairs Allowance		1,944	
Government Grants	1,008		
Third Party Contributions	63		
Revenue Contributions	46	12	
<b>Total</b>	<b>1,655</b>	<b>2,154</b>	<b>3,809</b>

- 3.2.16 The slippage schemes will be incorporated into the 2009-10 agreed capital programme and monthly monitoring information on these schemes will be reported to Cabinet during the year in the regular programmed capital monitoring reports.
- 3.2.17 Slippage of revenue expenditure funded from capital under statute totalling £2.083m will be spent in 2009-10 to complete the schemes outstanding, using earmarked funding carried forward for that purpose. Monitoring information on these schemes will also be reported to Cabinet on a monthly basis.

### **Capital Funding 2009-10**

- 3.2.18 Funding brought forward from 2008-09 to the value of £9.133m is built into the capital programme for 2009-10 and future years approved by Council on 26 February 2009. However there is a funding shortfall of £251k after the 2008-09 slippage has been funded.
- 3.2.19 This shortfall is primarily a result of lower HRA capital receipts than anticipated; the estimate had been reduced through the year to take account of the market conditions, but the actual outturn position, after allowing for

pooling, was lower than the decreased forecast by approximately £240k. The shortfall will be dealt with as set out below.

3.2.20 Major Repairs Allowance totalling £102k that was to be carried forward to 2010-11 will be required in 2009-10 to fund the following HRA funding shortfalls:

- Revenue expenditure funded by capital under statute of £10k in 2008-09; budgeted as GF, but required treatment as HRA expenditure.
- Right to Buy capital receipts shortfall of £92k in 2008-09

The 2010-11 shortfall will be funded by revenue contributions from the HRA

3.2.21 Prudential borrowing of £149k will be used to fund a shortfall on the General Fund programme. This has arisen because of statutory pooling requirements on HRA non Right to Buy receipts used to fund the General Fund programme.

3.2.22 Remaining funding balances to be carried forward comprise:

- Major Repairs Allowance of £4.2m earmarked for the 2010-11 HRA capital programme
- £110k prudential borrowing allocation to fund known commitments in 2009-10; project appraisals will be brought to a future Cabinet for approval as required
- £31k for a Choice Based Lettings regional scheme, to be undertaken in partnership with other neighbouring local authorities

### **3.3 Choices (Options)**

3.3.1 Cabinet are asked to note the capital outturn and slippage information contained in this report.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 All schemes within the capital programme are within existing policy

### **4.2 Resources and Risk**

4.2.1 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

4.2.2 Any revenue budget implications related directly to the capital projects themselves are set out in the capital project appraisals, and fed into revenue budget planning as appropriate (i.e. through revenue budget monitoring, budget build or medium term financial planning).



4.2.3 Financial and non-financial risks related to the capital projects are addressed in the capital project appraisals.

### **4.3 Legal**

4.3.1 Legal implications related to the capital projects are addressed in the capital project appraisals.

4.3.2 There are no specific legal implications arising from this report.

### **4.4 Equality**

4.4.1 Equalities implications related to the capital projects are addressed in the capital project appraisals. Many of the schemes in the programme are specifically targeted at addressing equalities issues.

### **4.5 Consultees (Internal and External)**

4.5.1 The capital project appraisals and project variations for schemes in the programme have been put together by the Project Manager, in consultation with:

- The Budget Manager
- The Finance Manager (Capital & Treasury)
- The Corporate Director (or the Chief Executive)
- The Member with Portfolio,
- The Section 151 Officer

4.5.2 In respect of consultation with stakeholders on individual schemes, details are contained within the capital project appraisals

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The extent to which each project meets the Council's objectives and priorities is described within the individual capital project appraisals.

4.6.2 The use of capital project appraisals to determine and agree capital schemes in accordance with the objectives and priorities of the authority, and the effective monitoring and reporting of capital programme activity, including outturn both contribute to improving the CPA Use of Resources score. This supports Council's Priority No 3: We will be a well-managed organisation that puts our customers at the heart of what we do

### **4.7 Other Implications**

4.7.1 There are no other specific implications arising from this report.

## **5. Background Papers**

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5.1 Capital programme budget setting and monitoring reports to Cabinet throughout 2008-09.

**Bev Dixon, Finance Manager – Capital & Treasury, ext 7401**