



CABINET REPORT

Report Title	CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF MAY 2009
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	5 th August 2009
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Finance & Support
Accountable Cabinet Member:	David Perkins
Ward(s)	Not Applicable

1. Purpose

1.1 The purpose of the report is to:

- Request approval for capital schemes to be added to, the Council's capital programme for 2009-10
- Request approval for variations to capital schemes in the Council's capital programme for 2009-10
- To inform Cabinet of the slippage of unfinished schemes and unapplied funding from 2008-09 into the Council's capital programme for 2009-10, for the revenue expenditure funded from capital under statute projects.
- Advise Cabinet on the latest 2009-10 capital programme monitoring position, including forecast outturns and slippage into 2010-11.
- Advise Cabinet as to how the 2009-10 capital programme will be funded

2. Recommendations

2.1 That Cabinet approve the following schemes to be added to the capital programme for 2009-10

Scheme Reference, Description & Directorate	Narrative	2008-09 £	Future Years £	Funding Source
2009-10 GF059 Climate Friendly Communities Housing General Fund	Countywide project that will address fuel poverty and contribute towards the Governments decent home targets for private sector housing.	750,000	-	DCLG
2009-10 GF061 Capitalisation Directive October 2009 Finance & Support	The Council has placed a bid to the CLG for a capitalisation directive for specific costs that would otherwise be revenue.	300,000	-	Prudential Borrowing

Further details of these appraisals can be seen at Annex A to this report.

2.2 That Cabinet approve the following variations to schemes in the capital programme for 2009-10.

Scheme Reference, Description & Directorate	Narrative	2009-10 £	Future Years £	Funding Source
Budget Increases/Decrease				
2008-09 GF026 V01 Relocation of Call Care Housing General Fund	Removal of this budget from the 2009-10 capital programme. The closure of Weston Favell offices has led to different priorities and therefore the relocation will not happen in 2009-10	(51,675)	-	Prudential Borrowing
2008-09 GF065 V01 SSNP Night Safe & Target Hardening Assistant Chief Executive	Environmental improvements and improved security of vulnerable persons and properties that have had a burglary.	88,212	-	Home Office
Movement between Projects				

2009-10 HRA004 V01 Decent Homes Housing HRA	Budget to be re-directed to specific projects to contribute to decent homes targets in advance of the main phase starting.	(1,220,000)	-	Major Repairs Reserve
2007-08 CS0012 V04 Kitchen Replacement Housing HRA	To help address issues of kitchen disrepair and increase decent homes activity this financial year.	500,000	-	Major Repairs Reserve
2009-10 HRA012 V01 Capital Voids Housing HRA	There is a trend for higher capital voids than last financial year therefore additional budget is required. Voids will be completed to the decent homes standard.	400,000	-	Major Repairs Reserve
2008-09 HR007 V01 Complete Roofs Housing HRA	Work is required to two blocks of flats that are beyond repair; these will meet the decent homes standard.	320,000	-	Major Repairs Reserve
2007-08 CS0023 V01 Archangel Square Housing HRA	This project was completed in 2008-09. It was originally to be funded through the Council's resources, however Section 106 money was found to be available. Therefore this budget will be re-directed to the window and door programme.	(70,000)	-	Major Repairs Reserve
2009-10 HRA013 V01 Windows and Doors Housing HRA	A number of properties were omitted from the window replacement scheme in the 1990's. The funding from the Archangel Square project will cover the costs of these and also those properties that have been identified as requiring replacement.	70,000	-	Major Repairs Reserve

Further details of these variations can be seen at Annex B of this report.

2.3 That Cabinet note:

- a) The capital programme monitoring position as at end of May 2009, including forecast outturns and slippage into 2010-11, as set out at Annex C and D.
- b) The funding arrangements for the 2009-10 capital programme as set out at Annex E.
- c) The slippage of unfinished schemes from 2008-09 into the 2009-10 capital programme, for the revenue expenditure funded by capital under statute schemes, and how the planned expenditure is to be funded as set out at Annex F.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The capital programme for 2009-10 was approved by Cabinet on 19th February 2009. There have been subsequent reports to cabinet with additions and variations to the programme on the 18th March 2009, 7th April 2009 & the 20th May 2009. The impacts of these changes are included in Annex C and in Annex D.
- 3.1.2 Slippage is included in the capital programme for 2009-10 as set out in the capital outturn report to Cabinet on the 29th June 2009. This is the first capital monitoring report for 2009-10.

3.2 Issues

Approval of Capital Projects and Project Variations

- 3.2.1 Approval is sought to add schemes to the Council's capital programme, as set out at paragraph 2.1 above.
- 3.2.2 Approval is sought for variations to schemes that are already in the Councils capital programme for 2009-10, as set out at paragraph 2.2 above.
- 3.2.4 All proposals put forward for approval with this report have been submitted on capital project appraisal or variation forms, which have been signed off by, amongst others, the relevant Director, the Section 151 Officer and the appropriate Cabinet Portfolio Holder. Copies of the capital project appraisals and variation forms, which are listed as background papers, are available on request.
- 3.2.5 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.18 to 3.2.28 below.

Revenue Expenditure Funded from Capital Under Statute

- 3.2.6 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. The expenditure on these projects in 2008-09 was moved to revenue at the end of the financial year.
- 3.2.7 Slippage from these schemes totalled £2.194m and will be funded using earmarked funding carried forward for this purpose of £2.095m. These details are shown on a scheme-by-scheme basis at Annex F. An additional £99k funding is required to fully fund these slippage schemes, due to the overspend on the 2008-09 outturn position for the revenue expenditure funded from capital schemes .
- 3.2.9 Due to the high values of these schemes they will continue to be monitored as part of the capital monitoring process. The budget and expenditure are

included in the capital programme position as at the end of May 2009 section of this report but may be presented to Cabinet differently in the future.

3.2.10 The effects of the revenue expenditure funded by capital under statute slippage are reflected in the capital programme funding section of the this report at paragraphs 3.2.18 to 3.2.28 below.

Capital Programme position as at end of May 2009

3.2.11 In line with best practice and with CPA/CAA requirements, capital programme monitoring information is brought to Cabinet on a monthly basis. The information in this report relates to the period to the end of May 2009.

3.2.12 Annex C shows the position at summary level as at the end of May 2009. The information includes

- Latest proposed capital programme, incorporating the original programme for 2009-10, slippage from 2008-09, other agreed changes, and the further amendments and additions proposed in this report.
- Actual expenditure to the end of May 2009
- Planned expenditure to the end of the year
- Forecast outturn for the year
- Forecast slippage to 2010-11

3.2.13 Annex D provides a summarised narrative of project variances at service level.

3.2.14 The forecast outturn position and forecast slippage position on each project have been put together from information supplied by budget managers, who are each responsible for financial control of their projects.

3.2.15 Actual capital programme expenditure to the end of May 2009 is £1.340m. The latest approved budget is £23.608m, and the forecast outturn figure of £24.706m.

3.2.16 It is usual at this early stage in the financial year for capital expenditure to be low in relation to budget, as capital schemes naturally take time to get up and running due to the need, for example, for contract tendering and consultation. Furthermore, invoices are not due for payment until goods are received or works are complete, or part complete in the case of staged payments. The position against each capital programme scheme will continue to be closely monitored through regular meetings with budget managers and will be reported monthly to Cabinet.

3.2.17 Of the total forecast overspend of £1.098m at year-end, £1.087m will be covered through the approval of project variations and appraisals brought to this Cabinet. A Project variation will be brought to the next Cabinet for the remaining overspend which is on the E-Payments, Chip and Pin project .

Capital Programme Funding

3.2.18 All schemes in the capital programme, whether included in the original programme, arising from slippage, or added to the programme during the year, are fully funded, either from borrowing, internal resources or from external funding arrangements.

3.2.19 The financing of the programme for 2009-10 is set out at Annex E.

3.2.20 Included in the financing of the 2009-10 programme is a forecast of £300k HRA capital receipts, due to pooling legislation this would require sales of council dwellings to the value of £1.2m. In light of the latest economic data the level of forecast HRA capital receipts will be reviewed and reported to the next Cabinet.

3.2.21 There have been no capital receipts received to the end of June 2009 for either HRA RTB or non RTB properties.

3.2.22 Increases or reductions in overall financing requirements resulting from appraisals and variations brought to Cabinet with this report, excluding self balancing are as follows:

Scheme	2009-10 Value	Funding Impact
	£	
Climate Friendly Communities	750,000	DCLG
Capitalisation Directive October 2009	300,000	Prudential Borrowing
Relocation of Call Care	(51,675)	Prudential Borrowing
SSNP – Night Safe & Target Hardening	88,212	Home Office

3.2.23 The decrease in the prudential borrowing funding requirement as a result of the project variation to remove the relocation of call care project from the programme will be used to partially offset the additional prudential borrowing requirement arising from the addition of the capitalisation directive scheme. Therefore there is no release of additional unallocated prudential borrowing as a result of the variation.

3.2.24 Changes from the previously reported financing position are summarised in the table below.

Capital Programme 2009-10			
	Programme	Financing	In Year Financing Variance Excess/ (Shortfall)
	£000	£000	£000
Latest approved programme (20 May Cabinet) *	16,408	16,408	
Slippage Changes (29 June Cabinet)	3,809	10,820	7,010
Revenue Expenditure Funded by Capital Under Statute Slippage	2,194	2,095	(99)
Re-profiling of 2008-09 projects (25 February & 18 March Cabinet)	1,197	1,197	
Appraisals brought to this Cabinet	1,050	750	(300)
Variations brought to this Cabinet	37	88	52
Latest proposed programme	24,695	31,358	6,663

*Difference of £5k due to this being included in the slippage figure.

3.2.25 The in year funding variance shown above can be broken down as follows:

2009-10 Capital Financing Variance			
	GF	HRA	Total
	£000	£000	£000
<u>Unallocated Financing 2009-10</u>			
Budgeted Prudential Borrowing	(247)		
Ring-fenced Grants and Contributions	31		
<u>Financing Earmarked for 2010-11</u>			
Revenue Reserve		6,880	
Total	(216)	6,880	6664

3.2.26 There was an amount £110k of unallocated prudential borrowing brought forward from 2008-09 as detailed in the capital outturn report. £5K of this has been used to address minor differences between actual and anticipated grant funding brought forward on a small number of schemes. £5k is required for the re-financing of capital expenditure that was incorrectly financed in 2008-09. £99k is required for the overspend on the revenue expenditure funded by capital under statute schemes in 2008-09.

3.2.27 There will be an additional prudential borrowing requirement of £247k for the capitalisation directive project, if the bid to CLG is successful. This is the net figure of £300k less £52k from the relocation of call care project and less £1k remaining from the brought forward amount.

3.2.28 The amount of £6.880m shown above as being carried forward to 2010-11 is needed to fund continuations of the existing HRA programme in future years.

3.3 Choices (Options)

3.3.1 Cabinet are asked to approve the inclusion of the capital schemes at paragraph 2.1 into the Council's capital programme and to approve the variations to the agreed capital programme set out at paragraph 2.2.

4. Implications (including financial implications)

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. The financing of the programme is set out at Annex E.
- 4.2.2 Schemes funded by prudential borrowing have an impact on the revenue budget arising from the repayment of debt principal and interest. Recent changes to regulations and guidance on the repayment of debt principal in the accounts – known as ‘minimum revenue provision’ or MRP, mean that the annual revenue cost of repayment of debt principal now varies according to the nature of the expenditure, as it fixed according to the life of the asset. Thus, debt relating to short life assets may have to be paid back over as little as three years, whereas for long life assets it may be over fifty or sixty years. The interest charge is approximately 4% per annum (on current borrowing rates)
- 4.2.3 The revenue costs of all prudential borrowing in the approved capital programme and in the proposed project appraisals and variations brought with this report are built into the Council’s draft revenue budget for 2010-11 and medium term plans for future years
- 4.2.4 All other revenue budget implications related to the capital projects are set out in the capital project appraisals, and fed into revenue budget planning as appropriate (ie through revenue budget monitoring, budget build or medium term financial planning).
- 4.2.5 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. Project managers are responsible for ensuring that Equality Impact Assessments (EIAs) are completed for their schemes, and that any equalities issues associated with the project are correctly addressed.

4.5 Consul tees (Internal and External)

4.5.1 Each capital project appraisal and project variation for schemes in the programme has been put together by the Project Manager, in consultation with other officers and the Cabinet Portfolio Holder.

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.

- 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 both contribute to improving the CPA/CAA Use of Resources score. This supports the Council's priority to 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

5.1 Cabinet & Council Reports – 2009-10 Capital Programme (Cabinet unless stated)

- 19 February 2009 - Capital Programme 2009-10 to 2011
- 26 February 2009 (Council) - Capital Programme 2009-10 to 2011
- 25th February 2009 – Capital Programme 2008-09 Position as at end of December 2008.
- 18th March 2009 – Capital Programme 2008-09 Position as at end of January 2009.
- 7th April 2009 (Cabinet) – Capital Appraisal
- 20th May 2009 (Cabinet) – Capital Appraisal
- 29th June 2009 – Capital Programme 2008-09 – Outturn Position.

5.2 Capital Project Appraisals

- 2009-10 GF059 Climate Friendly Communities
- 2009-10 GF061 Capitalisation Directive October 2009

5.3 Capital Project Variations

General Fund

- 2008-09 GF026 V01 Relocation of Call Care
- 2008-09 GF065 V01 SSNP – Night Safe & Target Hardening

Housing Revenue Account

- 2009-10 HRA004 V01 Decent Homes
- 2007-08 CS0012 V04 Kitchen Replacement
- 2009-10 HRA012 V01 Capital Voids
- 2008-09 HRA007 V01 Complete Roofs
- 2007-08 CS023 V01 Archangel Square
- 2009-10 HRA013 V01 Windows & Doors

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CABINET REPORT

SIGNATORIES

Report Title	CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF MAY 2009
Date Of Call-Over	22 Jul 09

Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.

Name	Signature	Date	Ext.
Monitoring Officer or Deputy			
Section 151 Officer or Deputy			