



## **CABINET REPORT**

<b>Report Title</b>	<b>CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF JUNE 2009</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	23 September 2009
<b>Key Decision:</b>	YES
<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>	David Perkins
<b>Ward(s)</b>	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
- 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

<b>Scheme Reference, Description &amp; Directorate</b>	<b>Narrative</b>	<b>2009-10 £</b>	<b>Future Years £</b>	<b>Funding Source</b>
2009-10/GF060 Places of Change  Housing GF	The overall Places of Change scheme is to provide a new flagship facility for homeless people in the borough. This project is being completed in partnership with Midland Heart Housing Association. NBC's responsibility is to provide project management support and ensure vacant possession of the Maple Buildings site.	873,155	696,816	£1.42m CLG Grant, £149,971 Section 106
2009-10 GF063B CMP Lighting Upgrade  Environment & Culture	Carbon management project to update the lighting at St John's multi storey car park and Lings Forum Leisure Centre. This project does not require any additional funding as the external funding and match funding was approved in 2008-09.	48,334	-	50% Salix, 50% Prudential Borrowing
2009-10 GF064 Playbuilder – Kingsthorpe Recreation Ground  Assistant Chief Executive	To provide a new adventure play area, aimed at 8-13 year olds, on Kingsthorpe Recreation Ground.	49,000	-	DCFS Grant
2009-10 GF066B CMP Boiler Room Pipework, Valve & Flange Insulation  Environment & Culture	Carbon management project to insulate pipework at Mounts Baths, Danes Camp Leisure Centre and the Guildhall. This project does not require any additional funding as the external funding and match funding was approved in 2008-09.	17,479	-	50% Salix, 50% Prudential Borrowing

<p>2009-10 HRA016 Woodside Way (NBC Council Dwelling New Build Scheme)</p> <p>Housing HRA</p>	<p>The construction of 8 family homes on a garage site within the Kings Heath area of Northampton. The demolition of existing garages will be required to enable the construction of the new homes. 62% of this project will be funded by NBC resources and 38% will be bid for from the Challenge Fund Pot, Homes &amp; Community Agency (HCA)</p>	225,957	958,036	<p>£600,080 Prudential Borrowing, £132,000 Section 106, £451,913 HCA Grant</p>
<p>2009-10 HRA017 Fire Safety Works to Communal Areas</p> <p>Housing HRA</p>	<p>The Council is required to complete fire assessments to the communal areas of its flats and maisonettes. A number of improvements are expected to meet its duty under the Regulatory Reform Act &amp; Orders. Improvements could include replacement of fire doors, emergency lighting, smoke alarms, fire stops and other significant works. This will be funded by a reduction in the decent homes budget.</p>	100,000	-	<p>Major Repairs Reserve</p>

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.

<b>Scheme Reference, Description &amp; Directorate</b>	<b>Narrative</b>	<b>2009-10 £</b>	<b>Future Years £</b>	<b>Funding Source</b>
<b>Carbon Management Programme</b>				
<p>2008-09 GF036B V03 CMP PowerPerfector Voltage Optimisation</p> <p>Environment &amp; Culture</p>	<p>This project formed part of the carbon management programme that was approved in 2008-09. Due to high frequency lighting being used in the locations identified, the original savings cannot be achieved. The external funding and ring-fenced match funding will have to be used on other carbon management projects to meet the terms and conditions of the funding.</p>	(124,886)	-	<p>50% Salix, 50% Prudential Borrowing</p>

2008-09 GF036B V04 CMP St John's Lighting  Environment & Culture	The final cost of this project was less than originally estimated. The underspend will have to be used on other carbon management projects to ensure the terms and conditions of the external funding are met.	(2,555)	-	50% Salix, 50% Prudential Borrowing
2008-09 GF036B V05 CMP Loft & Cavity Wall Insulation  Environment & Culture	Loft insulation at Weston Favell offices was included as part of this project, however as these offices are now closed this will not be going ahead. The money released from this project will have to be re-directed to other carbon management projects to ensure the terms and conditions of the external funding are met.	(1,386)	-	50% Salix, 50% Prudential Borrowing
2008-09 GF045B V02 CMP Steam Control Valve  Environment & Culture	The cost of this work was more than originally estimated. The overspend will be covered by underspends on other carbon management projects, therefore there is no additional financing requirement.	3,595	-	50% Salix, 50% Prudential Borrowing
2008-09 GF045B V03 CMP Variable Speed Drive  Environment & Culture	The final cost of this project was less than originally estimated. The underspend will have to be used on other carbon management projects to ensure the terms and conditions of the external funding are met.	(401)	-	50% Salix, 50% Prudential Borrowing
2008-09 GF045B V04 CMP Building Energy Management System  Environment & Culture	The final cost of this project was less than originally estimated. The underspend will have to be used on other carbon management projects to ensure the terms and conditions of the external funding are met.	(644)	-	50% Salix, 50% Prudential Borrowing

2009-10 GF007B V01 Carbon Management Programme  Environment & Culture	The following carbon management projects are to be removed from the 2009-10 capital programme as the revenue savings are not achievable: Voltage Optimisation at St Johns's MSCP (£11,757), Vending Machine Timer Controls (£1,653), Air Conditioning Unit Controls at Westbridge (£5,512), Hot Water Storage Time Switches (£8,765), Lighting Upgrade – Guildhall & Westbridge (£31,751), Guildhall Spot Lights (£827), PIR Lighting Controls at Guildhall Car Park (£4,134). These projects were to be funded by a revenue contribution from the savings on the Salix funded projects. To meet the terms and conditions of the funding the savings have to be re-invested in other carbon management projects, therefore the revenue contribution will be ring-fenced for future projects.	(64,399)	-	Revenue Financing (GF)
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<b>Housing Revenue Account</b>				
2009-10 HRA004 V02 Decent Homes & Poor Condition  Housing HRA	Phase 2 of decent homes will not be on site this financial year, however work can be completed on the complete roofs project which will contribute towards decent home spend. £600k is to be removed from this project to the complete roofs project. Also, £100k is required to fund the Fire Safety Works to Communal Areas project.	(700,000)	-	Major Repairs Reserve
2008-09 HRA007 V02 Complete Roofs  Housing HRA	The main decent homes phase 2 will not be started this financial year. However, roofs have been identified which can be completed in advance of the second stage and contribute towards the decent homes spend this financial year. An increase in budget of £600k is required for this work, to be funded by a reduction to the decent homes and poor condition budget.	600,000	-	Major Repairs Reserve
<b>Private Sector Housing – GOEM funded schemes</b>				
2006-07 Slippage V16 GOEM Roofing & Electrics  Housing GF	There are currently three different capital codes for decent homes works funded by GOEM. It is proposed to move all of the budget and expenditure to one capital code as often the properties require more than one type of work, which makes reconciliation between the private sector housing and finance system difficult. Also, there is no requirement by GOEM to split the grants by type of work.	(113,176)	-	GOEM

2007-08 PR005B V02 GOEM Solid Wall Insulation  Housing GF	There are currently three different capital codes for decent homes works funded by GOEM. It is proposed to move all of the budget and expenditure to one capital code as often the properties require more than one type of work, which makes reconciliation between the private sector housing and finance system difficult. Also, there is no requirement by GOEM to split the grants by type of work.	(200,732)	-	GOEM
2009-10 GF026 V01 GOEM Projects – Decent Homes  Housing GF	It is proposed to move the budget from the above two projects to this project. This code is currently used for general decent homes works and having the budget all on one cost centre would make the coding and reconciliation of the grants simpler.	313,908	-	GOEM
<b>Movement between years</b>				
2009-10 GF065 V01 Improvement Works at Grosvenor Centre Car Park  Planning & Regeneration	Commissioning will take place in 2009-10 with the beginning of the works in late winter/early spring, therefore the bulk of the spend will be in early 2010-11.	(1,700,000)	1,700,000	Prudential Borrowing

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

### 2.3 That Cabinet note:

- a) The following scheme, which was approved by Cabinet on the 5 August 2009 as part of a separate report:

<b>Scheme Reference, Description &amp; Directorate</b>	<b>Narrative</b>	<b>2009-10 £</b>	<b>Future Years £</b>	<b>Funding Source</b>
2009-10 GF065 Improvement Works at Grosvenor Centre Car Park	Major improvement works at the car park to assist the final negotiations of the proposed Conditional Development Agreement relating to the	1,750,000	-	Prudential Borrowing

Finance & Assets	Grosvenor Greyfriars complex.			
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Further details of this appraisal can be seen at Annex A to this report.

- b) The capital programme monitoring position as at end of June 2009, including forecast outturns and slippage into 2010-11, as set out at Annex C and D.
- c) The funding arrangements for the 2009-10 capital programme as set out at Annex E.

2.4 Cabinet approve the usage of section 106 funds as outlined in paragraph 2.1 additions to the capital programme.

- GF060 Places of Change
- HRA016 Woodside Way

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 The latest approved capital programme for 2009-10 was approved by Cabinet on 5 August 2009.

#### 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.
- 3.2.3 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.
- 3.2.4 Approval is sought to use the section 106 funds for the purposes outlined in paragraph 2.1.
  - GF060 Places of Change
  - HRA016 Woodside Way
- 3.2.5 Cabinet need to be aware of the Revenue implications of the capital scheme HRA016 Woodside Way, which are estimated between £3.5k - £8.5k per annum over the 50 year life of the asset. There are potential RTB implications from this scheme, dependent on the requirement to repay grant. The details of these have yet to be fully notified to the authority.



3.2.6 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.15 to 3.2.28 below.

### **Capital Programme position as at end of June 2009**

3.2.7 In line with best practice and with 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 June 2009.

3.2.8 Annex C shows the position at summary level as at the end of June 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 June 2009
- Planned expenditure to the end of the year
- Forecast outturn for the year
- Forecast slippage to 2010-11

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

3.2.10 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.

3.2.11 Actual capital programme expenditure to the end of June 2009 is £2.519m. This represents 9.5% of the latest approved budget of £26.445m, and 9.8% of the forecast outturn figure of £25.782m.

3.2.12 Included in the above figures are schemes that are now classed under accounting regulations as revenue expenditure funded by capital. The expenditure on these schemes to the end of June is £925k and the latest approved budget and forecast outturn for these schemes is £4.586m.

3.2.13 The above figure is likely to increase throughout the year, as there are a number of schemes that will have both capital expenditure and items of revenue expenditure funded by capital. These have not been included in the above figures.

3.2.14 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.

3.2.15 Of the total forecast underspend of £663k at year-end, £678k will be covered through the approval of project variations and appraisals brought to this Cabinet. A small forecast overspend of £14k on the E- Payments, Chip & Pin project is being investigated further and a project variation will be brought to the next Cabinet if necessary.

### **Capital Programme Funding**

3.2.16 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.

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

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

<b>Scheme</b>	<b>2009-10 Value</b>	<b>Future Years Value</b>	<b>Funding Impact</b>
	<b>£</b>	<b>£</b>	
Playbuilder – Kingsthorpe Recreation Ground	49,000	-	DCFS Grant
Woodside Way (NBC Council Dwelling New Build Scheme)	225,957	958,036	£600,080 Prudential Borrowing £451,913 HCA £132,000 Section 106
Improvement works at Grosvenor Centre Car Park	50,000	1,700,000	Prudential Borrowing
Places of Change	873,155	696,816	£1.42m CLG Grant £150k Section 106

3.2.19 The Homes & Communities Agency (HCA) grant for the Woodside Way scheme will be profiled as £225,957 in 2009-10 and £225,956 in 2010-11, with a contribution from section 106 funds in 2010-11. Therefore, no NBC capital resources will be required for this project in 2009-10.

3.2.20 Funding of £1.42m has been secured from CLG for the Places of Change scheme. In approving this appraisal, agreement is given to use £150k of section 106 monies (references H063 and 114) for the purposes of this project.

3.2.21 An adjustment has been made to the financing table to correctly represent new prudential borrowing of £247k needed to fund the balance of the capitalisation directive scheme approved at that meeting.

3.2.22 The Improvement Works at Grosvenor Centre Car Park project requires a further £50k of additional prudential borrowing in 2009-10. The total additional prudential borrowing requirement in 2009-10 is now £297k.

3.2.23 There have been no capital receipts received to the end of July 2009. The financing of the 2009-10 HRA programme has been adjusted this month to take out £300k forecast HRA right to buy capital receipts, which due to pooling legislation this would require sales of council dwellings to the value of £1.2m. The difference will be made up from the HRA earmarked reserve. The current year programme therefore remains fully financed, but there will be a reduction in resources carried forward.

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

<b>Capital Programme 2009-10</b>			
	<b>Programme</b>	<b>Financing</b>	<b>In Year Financing Variance Excess/ (Shortfall)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Latest approved programme (5 August Cabinet)	<b>24,695</b>	<b>31,358</b>	<b>6,663</b>
Adjustment from previous report	0	247	247
Reduction in forecast HRA RTB capital receipts	0	(300)	(300)
Appraisals brought to this Cabinet (including noted)	3,064	2,898	(166)
Variations brought to this Cabinet	(1,991)	0	1,991
Rounding		1	1
<b>Latest proposed programme</b>	<b>25,768</b>	<b>34,204</b>	<b>8,436</b>

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

<b>2009-10 Capital Financing Variance</b>			
	<b>GF</b>	<b>HRA</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Earmarked pending project appraisals 2009-10</b>			
Budgeted Prudential borrowing	30		
Grants and Contributions	62		
Revenue Financing	64		
<b>Earmarked carry forward to 2010-11</b>			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		6,580	
<b>Total</b>	<b>1,886</b>	<b>6,580</b>	<b>8,436</b>

3.2.26 Changes to the carbon management projects have resulted in £126k of unallocated funding. This is the excess of the projects that are being removed from the capital programme and those put forward for inclusion. This money is ring fenced for the carbon management scheme and will be required for future projects to meet the terms and conditions of the external funding. The £125k is made up from the following: £30k prudential borrowing, £31k Salix funding and £64k revenue contribution.

3.2.27 Grant of £31k for the Choice Based Lettings regional scheme remains unallocated pending the development of the scheme.

3.2.28 An additional prudential requirement of £1.750m is required for the Grosvenor Centre Car Park project. As this project has now been profiled over two financial years, £1.7m of this will not be required until 2010-11.

3.2.29 The amount of £6.580m 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)**

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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. 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 is 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% to 4.5% 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 (i.e. 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 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**

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### **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
- 25<sup>th</sup> February 2009 – Capital Programme 2008-09 Position as at end of December 2008.
- 18<sup>th</sup> March 2009 – Capital Programme 2008-09 Position as at end of January 2009.
- 7<sup>th</sup> April 2009 (Cabinet) – Capital Appraisal
- 20<sup>th</sup> May 2009 (Cabinet) – Capital Appraisal
- 29<sup>th</sup> June 2009 – Capital Programme 2008-09 – Outturn Position.
- 5<sup>th</sup> August 2009 – Capital Programme 2009-10 Position as at end of May 2009.
- 5<sup>th</sup> August 2009 – Market Square Water Feature Project Appraisal.

### **5.2 Capital Project Appraisals**

- 2009-10 GF060 – Places of Change
- 2009-10 GF063B - CMP Lighting Upgrade
- 2009-10 GF064 - Playbuilder – Kingsthorpe Recreation Ground

- 2009-10 GF065 – Improvement Works at Grosvenor Centre Car Park
- 2009-10 GF066B - Boiler Room Pipework, Valve & Flange Insulation
- 2009-10 HRA016 - Woodside Way (NBC Council Dwelling New Build Scheme)
- 2009-10 HRA017 – Fire Safety Works to Communal Areas

### 5.3 Capital Project Variations

#### General Fund

- 2008-09 GF036B V03 – CMP PowerPerfector Voltage Optimisation
- 2008-09 GF036B V04 – CMP St John's Lighting
- 2008-09 GF036 V05 – CMP Loft & Cavity Wall Insulation
- 2008-09 GF045B V02 – CMP Steam Control Valve
- 2008-09 GF045B V03 – CMP Variable Speed Drive
- 2008-09 GF045B V04 – CMP Building Energy Management System
- 2009-10 GF007B V01 – Carbon Management Programme
- 2006-07 Slippage V16 – GOEM Roofing & Electrics
- 2007-08 PR005B V02 – GOEM Solid Wall Insulation
- 2009-10 GF026 V01 – GOEM Projects, Decent Homes
- 2009-10 GF065 V01 – Improvement Works at Grosvenor Centre Car Park

#### Housing Revenue Account

- 2009-10 HRA004 V02 – Decent Homes & Poor Condition
- 2008-09 HRA007 V02 – Complete Roofs

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