

**CABINET REPORT**

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

Cabinet Meeting Date:	4 November 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 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 variations to schemes in the capital programme for 2009-10.

Scheme Reference, Description & Directorate	Narrative	2009-10 £	Future Years £	Funding Source
2007-08/PR0010 V01 Hot Property Housing GF	This project is funded by NBC, utility companies and private landlords. Contributions to the value of £5,351 have been received in 2009-10; therefore the budget for this project needs to be increased by this amount.	5,351	-	Third party contributions
2008-09/GF066 V01 Sport & Recreation in Becketts Park Planning & Regeneration	Phase one of this project was completed in 2008-09 which included installing children's play equipment that met DDA requirements, to improve access to play for children with disabilities, and a 5 a side football pitch. It was the intention that more works would take place improving the environment of Becketts Park, but it is now felt this would conflict with the strategic improvement of Becketts Park.	(13,121)	-	Section 106
2009-10/GF026 V02 GOEM Project Decent Homes Housing GF	The budget for this project was based on an estimate of the amount of external grant funding that would be received for works to decent homes in the private sector. The amount of funding received was £258,424 more than the estimate; therefore the budget needs to be increased by this amount.	258,424	-	GOEM Grant

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

2.2 That Cabinet note:

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

3. Issues and Choices

3.1 Report Background

- 3.1.1 The latest approved capital programme for 2009-10 was approved by Cabinet on 14 October 2009.

3.2 Issues

Approval of Project Variations

- 3.2.1 Approval is sought for variations to schemes that are already in the Councils capital programme for 2009-10, as set out at paragraph 2.1 above.
- 3.2.2 All proposals put forward for approval with this report have been submitted on capital 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 variation forms, which are listed as background papers, are available on request.
- 3.2.3 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.14 to 3.2.26 below.

Capital Programme position as at end of August 2009

- 3.2.4 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 August 2009.
- 3.2.5 Annex B shows the position at summary level as at the end of August 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 August 2009
 - Planned expenditure to the end of the year
 - Forecast outturn for the year
 - Forecast slippage to 2010-11
- 3.2.6 Annex C provides a summarised narrative of project variances at service level.
- 3.2.7 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.

- 3.2.8 Actual capital programme expenditure to the end of August 2009 is £5.222m. This represents 20.2% of the latest approved budget of £25.888m, and 19.7% of the forecast outturn figure of £26.548m.
- 3.2.9 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 August is £1.357m, the latest approved budget is £5.370m and the forecast outturn for these schemes is £5.634m. Further details of these schemes can be seen as Annex D of this report.
- 3.2.10 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.
- 3.2.11 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
- 3.2.12 The forecast provided by management to date for Housing Strategy, Investment & Performance HRA programme is a full spend on the programme. Finance have highlighted concerns with regard to this forecast and Management have indicated that there will be areas of slippage, which are yet to be quantified. Project variations will be brought to cabinet in the future to agree the slippage.
- 3.2.13 Of the total forecast overspend of £660k at year-end
- £250k will be covered through the approval of project variations brought to this Cabinet.
 - There is a forecast overspend of £368k on the Disabled Adaptations (Council Stock) project. All of the other capital projects in the Housing HRA directorate are currently being reviewed to identify any underspends that can be used to cover this. A project variation will be brought to Cabinet as soon as this information is available.
 - There is a forecast overspend of £46k on the Choice Based Lettings Sub-Regional scheme. DCLG have provided funding towards the cost of this project with the remaining being funded by Northampton Borough Council and Daventry District Council. A project variation will be brought to Cabinet once the scoping exercise is complete.

Capital Programme Funding

- 3.2.14 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.

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

3.2.16 Increases or reductions in overall financing requirements resulting from the variations brought to Cabinet with this report, are as follows:

Scheme	2009-10 Value	Future Years Value	Funding Impact
	£	£	
Hot Property	5,351	-	Third party contributions
Sport & Recreation in Becketts Park	(13,121)	-	Section 106
GOEM Projects – Decent Homes	258,424	-	GOEM Grant

3.2.17 Third party contributions of £5k have been received for the Hot Property project. This will be used for energy efficiency measures in rented dwellings.

3.2.18 There is a small amount of £13k section 106 funding that is not required for the Sport & Recreation in Becketts Park project. This money will be available for use in the future, ensuring that the terms and conditions of the agreement are met.

3.2.19 The additional £258k received from GOEM will be used for works to decent homes in the private sector as detailed in the terms and conditions of the funding.

3.2.20 The value of useable RTB capital receipts received to the end of September is £64k. These will be placed in a capital reserve and used in the future to support the HRA programme.

3.2.21 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 (14 October Cabinet)	25,888	34,325	8,437
Variations brought to this Cabinet	250	250	-
RTB Capital Receipts Received	-	64	64
Latest proposed programme	26,138	34,639	8,501

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

2009-10 Capital Financing Variance			
	GF	HRA	Total
	£000	£000	£000
Earmarked pending project appraisals 2009-10			
Budgeted Prudential borrowing	30		
Grants and Contributions	62		
Revenue Financing	64		
Earmarked carry forward to 2010-11			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		6,580	
RTB Capital Receipts		64	
Rounding	1		
Total	1,857	6,644	8,501

3.2.23 Changes to the carbon management projects have resulted in £125k of unallocated funding. This is the excess of the projects that have been

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.

- 3.2.24 Grant funding of £31k for the Choice Based Lettings sub-regional scheme remains unallocated pending the completion of the scoping exercise, and subject to agreement from Daventry DC could be used to part off set the overspend previously discussed in this report.
- 3.2.25 The re-profiling of the Grosvenor Centre Car Park project, over two financial years, has resulted in £1.7m of prudential borrowing not being required until 2010-11.
- 3.2.26 The amount of £6.644m 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 variation to the agreed capital programme set out at paragraph 2.1.

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 D.
- 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 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 Consultees (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.
- 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 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

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 – Capital Appraisal
- 20th May 2009 – Capital Appraisal
- 29th June 2009 – Capital Programme 2008-09 – Outturn Position.
- 5th August 2009 – Capital Programme 2009-10 Position as at end of May 2009.
- 5th August 2009 – Market Square Water Feature Project Appraisal.
- 23rd September 2009 – Capital Programme 2009-10 Position as at end of June 2009
- 14th October 2009 – Capital Programme 2009 – Position as at end of July 2009.

5.2 Capital Project Variations

- 2007-08/PR0010 V01 Hot Property
- 2008-09/GF066 V01 Sport & Recreation in Becketts Park
- 2009-10/GF026 V02 GOEM Projects Decent Homes

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

CABINET REPORT

SIGNATORIES

Report Title	CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF JULY 2009
Date Of Call-Over	15 th October 2009

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			