



## CABINET REPORT

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

<b>Cabinet Meeting Date:</b>	25 November 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 a capital scheme 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 scheme to be added to the capital programme for 2009-10.

Scheme Reference, Description & Directorate	Narrative	2009-10 £	Future Years £	Funding Source
2009-10/GF069 Market Square Lighting  Planning & Regeneration	The market square is currently dark and unwelcoming in the evening. The recent addition of the events space in the market square has helped to alleviate this problem during the day, however, the market square is still lacking enough lighting to ensure people feel safe within the square at night. The lighting would extend the time that the square could be used. The project will use the latest LED technology and will: Improve street lighting on the Highway to create a safer environment, ensure sympathetic up-lighting to highlight the architectural features, mask less attractive buildings with blocks of colour, light or art and use text lighting to project lettering on the buildings such as 'Welcome to Northampton', or this can be tailored to events.	280,000	-	£30k LABGI, £250k WNDC

Further details of this appraisal can be seen at Annex A of 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
<b>Neutral Budget Impact</b>				
2007-08/CS0012 V05 Kitchen Replacement  Housing HRA	There are likely to be several additional kitchens in urgent need of repair that cannot be deferred until next year. It is therefore proposed to increase this budget by £28k.	28,000	-	MRA
2009-10/HRA001 V01 Disabled Adaptations (Council Stock)  Housing HRA	Due to increased demand for this service it is necessary to transfer £300k to meet the growing waiting list for these essential works, to address customers' expectations and improve their quality of life.	300,000	-	MRA

<p>2009-10/HRA005 V01 Garage Roofs &amp; Doors</p> <p>Housing HRA</p>	<p>The garage review may limit the amount of garages retained by the authority, therefore expenditure is to be restricted to a first tranche of garages, identified for retention and investment that require immediate works to make them useable. This is judged to be £30k in this financial year, therefore the budget will be reduced to this.</p>	(70,000)	-	MRA
<p>2009-10/HRA006 V01 Disabled Alterations (Minor Adaptations)</p> <p>Housing HRA</p>	<p>There are increased numbers of critical or substantial adaptation requests coming through from occupational therapy. In addition the cost of some adaptations, such as showers over baths and ramps have increased. It would appear that the ageing population is increasing need in this area and the budget needs to be increased to reflect this.</p>	50,000	-	MRA
<p>2009-10/HRA007 V01 Structural Repairs</p> <p>Housing HRA</p>	<p>The climatic condition this summer, which has been a long period of dry weather, has caused an increase in structural issues for council owned homes in a number of areas, which are frequently affected by clay shrinkage. Some of these problems are sudden and severe, therefore additional budget is required to rectify these problems.</p>	100,000	-	MRA
<p>2009-10/HRA009 V01 Environmental Enhancements</p> <p>Housing HRA</p>	<p>The budget for this project can be reduced by £288k. This reduction is due to a combination of reasons: 1) Issues with residents consultation. 2) Design of schemes. 3) Leaseholder consultation. This budget will be reallocated to other HRA capital projects to maximise spend this financial year.</p>	(288,000)	-	MRA
<p>2009-10/HRA013 V02 Adhoc Windows &amp; Doors Replacement</p> <p>Housing HRA</p>	<p>A door and window contract has been let and urgent capital door and window replacements have been identified which exceed the existing budget by £80k. The additional budget will help address issues of poor condition, right to improvement, decent homes and poor security.</p>	80,000	-	MRA

2009-10/HRA014 V01 Door Entry Replacement Housing HRA	Door entry programme includes many properties which will affect leaseholders and consultation will be required under section 20 of the Landlord and Tenants Act 1995, and cannot be completed until late in financial year 2009-10. Therefore £100k is to be deducted from this project and moved to fund other projects within the HRA programme.	(100,000)	-	MRA
2009-10/HRA015 V01 Lift Refurbishment Housing HRA	£100k of this years budget was earmarked for the refurbishment of the existing lift at Eleonore House, however this will now not be completed until 2010-11. There is £100k budget for this project in 2010-11 and no other lifts to refurbish, therefore it is proposed to transfer £100k to other HRA capital projects this financial year and to use next years available funding to cover the refurbishment of Eleonore House Lift.	(100,000)	-	MRA
<b>Movement Between Years</b>				
2009-10/HRA016 V01 Woodside Way Housing HRA	The original spend profile for this project had the total HCA grant funding split equally between financial years 2009/10 and 2010-11. After some detailed work with our RSL Partners, Orbit, a new cashflow forecast has been produced which details the work incurred to date and the work that will be completed up to 31st March 2010. A much smaller amount of the grant is now required in 2009-10, therefore the remaining grant will be moved to 2010-11 to reflect when it is needed.	(188,387)	188,387	Homes & Communities Agency

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 September 2009, including forecast outturns, revenue expenditure funded by capital and slippage into 2010-11, as set out at Annex C, D and E.
- b) The funding arrangements for the 2009-10 capital programme as set out at Annex F.

### **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 4 November 2009.

#### **3.2 Issues**

##### **Approval of Capital Projects and Project Variations**

- 3.2.1 Approval is sought to add a scheme to the Council's capital programme for 2009-10, 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 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 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.14 to 3.2.27 below.

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

- 3.2.5 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 September 2009.
- 3.2.6 Annex C shows the position at summary level as at the end of September 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 September 2009
  - Planned expenditure to the end of the year
  - Forecast outturn for the year
  - Forecast slippage to 2010-11
- 3.2.7 Annex D provides a summarised narrative of project variances at service level.
- 3.2.8 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.

3.2.9 Actual capital programme expenditure to the end of September 2009 is £6.050m. This represents 23.15% of the latest approved budget of £26.138m, and 25.47% of the forecast outturn figure of £23.759m.

3.2.10 Capital schemes naturally take time to get up and running due to the need, for example, for contract tendering and consultation; and invoices are not due for payment until goods are received or works are complete, or part complete in the case of staged payments. Therefore the percentage of spend is reasonable for this time of year, however it remains important to closely monitor the forecast outturn position to ensure that forecasts remain accurate. Each capital programme scheme will continue to be monitored through regular meetings with budget managers and the forecasts will be challenged where they do not appear realistic.

3.2.11 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 September is £1.614m, the latest approved budget is £5.634m and the forecast outturn for these schemes is £5.633m. Further details of these schemes can be seen at Annex E of this report.

3.2.12 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.

3.2.13 Of the total forecast underspend of £2.380m at year-end

- £92k overspend will be covered through the approval of project appraisals and project variations brought to this Cabinet
- 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.
- There is a forecast underspend of £2.507m on the HRA capital programme that is not covered by project appraisals or project variations. £1.740m of this underspend relates to the Decent Homes project, £554k to the Lift Refurbishment project and £250k to the Cooper Street Heating project. As these projects have either not yet started or are on hold, the forecast is based on the best information available to date. These figures will be reviewed each month and project variations will be brought to Cabinet when appropriate.

### **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 F.

3.2.16 Increases or reductions in overall financing requirements resulting from the appraisal 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>	
Market Square Lighting	280,000	-	£30k LABGI, £250k WNDG

3.2.17 Cabinet agreed the use of £30k LABGI funding for the Market Square Lighting project on the 4<sup>th</sup> November, as part of a separate report. An application has been submitted to WNDG for the remaining £250k, the outcome of this application will be known in December.

3.2.18 There is no reduction in the financing requirement due to the Woodside Way project variation, as the grant will be earmarked for use in 2010-11.

3.2.19 The value of useable RTB capital receipts received to the end of October is £69k. These will be placed in a capital reserve and used in the future to support the HRA programme.

3.2.20 The value of non-RTB capital receipts received to the end of October is £210k. £100k will be placed in a capital reserve, in line with the capital strategy, and £110k will be earmarked to support next year's capital programme.

3.2.21 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 (4 <sup>th</sup> November Cabinet)	<b>26,138</b>	<b>34,639</b>	<b>8,501</b>
Appraisals brought to this Cabinet	280	280	-
Variations brought to this Cabinet (2009-10 impact only)	(188)		188
RTB Capital Receipts Received	-	5	5
Non RTB Capital Receipts Received	-	210	210
<b>Latest proposed programme</b>	<b>26,230</b>	<b>35,134</b>	<b>8,904</b>



3.2.22 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>Capital Reserve</b>			
Non RTB Capital Receipts	100		
<b>Earmarked carry forward to 2010-11</b>			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		6,580	
Grants & Contributions		188	
RTB Capital Receipts		69	
Non RTB Capital Receipts	110		
Rounding	1		
<b>Total</b>	<b>2,067</b>	<b>6,837</b>	<b>8,904</b>

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 Detailed work on the cashflow for the Woodside Way project has highlighted that £188k of the HCA grant funding will now not be required until next financial year.

3.2.26 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.

3.2.27 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 scheme 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 F.

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**

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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 – Capital Appraisal
- 20<sup>th</sup> May 2009 – 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.
- 23<sup>rd</sup> September 2009 – Capital Programme 2009-10 Position as at end of June 2009
- 14<sup>th</sup> October 2009 – Capital Programme 2009 – Position as at end of July 2009.
- 4<sup>th</sup> November 2009 –Capital Programme 2009 – Position as at end of August 2009

## 5.2 Capital Project Appraisals

- 2009-10/GF069 Market Square Lighting

## 5.3 Capital Project Variations

- 2007-08/CS0012 V05 Kitchen Replacement
- 2009-10/HRA001 V01 Disabled Adaptations (Council Stock)
- 2009-10/HRA005 V01 Garage Roofs & Doors
- 2009-10/HRA006 V01 Disabled Adaptations (Minor Adaptations)
- 2009-10/HRA007 V01 Structural Repairs
- 2009-10/HRA009 V01 Environmental Enhancements
- 2009-10/HRA013 V02 Adhoc Windows & Doors
- 2009-10/HRA014 V01 Door Entry Replacement
- 2009-10/HRA015 V01 Lift Refurbishment
- 2009-10/HRA016 V01 Woodside Way

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