



CABINET REPORT

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

Cabinet Meeting Date:	16 December 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 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/HRA018 Capital Improvement Works Housing HRA	Adhoc capital improvements to properties, that are not included in the schedule of work for other HRA projects, but where work is required within the financial year to meet the decent homes standard. Examples of work will include replacing windows, heating systems, roofs, kitchens and bathrooms.	300,000	-	MRA

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
Budget Increases				
*2007-08 /CS0026 V04 IBS Housing Management System Housing HRA	Following restructure of the housing service, the implementation of outstanding IBS modules was put on hold pending an independent review. The review, which has recently concluded, confirms that IBS is a fit for purpose industry standard solution, and made a key recommendation that all outstanding business critical modules should be rescheduled for implementation. This represents an additional sum of £186K over and above the current budget.	61,135	125,250	HRA Earmarked Reserve

2008-09/GF074 V01 Playbuilder – Eastfield Park Environment & Culture	NBC were awarded £50k from DSCF in 2008-09 for the Playbuilder in Eastfield Park scheme. The funding received was £50,500 and NCC have advised to spend the additional £500 and the underspend from 2008-09 on the scheme in 2009-10, as opposed to returning it.	500	-	DSCF
Budget Reductions				
2006-07 Slip V17 Urban Enhancement Planning & Regeneration	A revised proposal due to site conditions has reduced the expenditure required, as has the fact that County Council is now paying for the installation of the town signs. This reduction in budget therefore represents a saving.	(4,670)	-	Prudential Borrowing
2008-09/GF078 V01 DPPO Signage Environment & Culture	NBC was awarded a grant from the Home Office in 2008-09 for DPPO signage. £10k of this was allocated to capital, however not all of this was required. The terms and conditions of the grant outline that the funding can be spent on either capital or revenue items, therefore it is proposed to move this remaining funding to the revenue cost centre for DPPO signage to enable it to be utilised.	(380)	-	Home Office
2007-08/CS029 V01 Abington Museum Upgrade Environment & Culture	NBC resources are required to support an application to the Heritage Lottery Fund for funding to upgrade Abington museum. The change in the museum's opening times has made it less likely that the application, for such a large amount, will be successful. Therefore a decision has been made to not proceed with the application and the project is to be withdrawn from the capital programme.	(987,575)	-	£900k Heritage Lottery Fund, £87,575 Prudential Borrowing
Neutral Budget Impact				
2007-08/GI0010 V03 One Stop Shop, CRM Finance & Support	To purchase a corporate solution for authentication of secure on-line transactions that will initially support recovery and e-benefits but provide increased on line capability in terms of providing secure authentication for all other services such as Housing Repairs.	6,000	-	£4k Prudential Borrowing, £2k Revenue Financing

2008-09/GF043 V05 E-Benefits Application Finance & Support	Take up for E-Benefits application is now being linked to the 24 Claim Guarantee scheme and will be extended to all new E Benefits claims in the future. A smaller take up budget is thus required against this project in 2009-10. This saving is to be moved to assist in the funding of additional software within the One Stop Shop CRM capital project to enable customer self serve options to be expanded.	(4,000)	-	Prudential Borrowing
2008-09/GF080 V01 EDT Workflow Finance & Support	The funding reserve for additional consultancy has proved not to be required. These funds will be moved to support the wider agenda of the One Stop Shop CRM capital project, to introduce self-serve options for our customers.	(2,000)	-	Revenue Financing
2008-09/GF081 V01 Lings Forum Wetside Changing Rooms Environment & Culture	Due to unforeseen work this project has overspent by £1,845. This will be funded by a reduction to the Fire Door Improvements project.	1,845	-	Prudential Borrowing
2008-09/GF067B V02 Fire Door Improvements Finance & Support	This budget will be reduced to accommodate the overspend on the Lings Wetside Changing Rooms project.	(1,845)	-	Prudential Borrowing
Movement Between Years				
2008-09 /HRA007 V03 Complete Roofs Housing HRA	There are several roofing projects running at the moment, most of which work will be complete this year. However each project has an annual retention based on the defects liability periods, which will not be payable until 2010-11. Therefore it is proposed to move the budget to 2010-11 to reflect this.	(145,000)	145,000	HRA Revenue Financing

<p>2009-10 /HRA002 V01 Cooper Street Replacement – Phase 2</p> <p>Housing HRA</p>	<p>There are two elements to this project: 1) installing thermostatic controls to flats 2) the potential replacement of the combined heat and power unit (CHP), which is an additional facility to the district boilers that generates additional heat and electricity. There are two budget adjustments to be made: the first is to slip the CHP element of £250k into 2010-11. The second is to reduce the budget by £300k to fund the project outlined in 2.1 above. This reduction is possible due to the phase 2 heating works being tendered at much lower costs than anticipated.</p>	(550,000)	250,000	HRA Revenue Financing
<p>2009-10 /HRA004 V03 Decent Homes & Poor Condition</p> <p>Housing HRA</p>	<p>The first phase decent homes project is on site, however this was later than anticipated due to some local issues concerning contractor selection and tender evaluation, works will therefore extend beyond the end of the financial year. The funds committed to the contract must be slipped into the next financial year to cover these contractual obligations.</p>	(1,739,651)	1,739,651	HRA Revenue Financing
<p>2009-10 /HRA015 V02 Lifts Refurbishment</p> <p>Housing HRA</p>	<p>Two of the three lift projects at Alliston Gardens and Eleonore House have been subject to the housing strategy review, which has delayed the project inception. Section 20 leasehold consultations are required on the work to two lifts at Cooper Street. The lead in time on lift projects is traditionally very long, with most of the build and technical work being completed off site, therefore the majority of the programme expenditure will not occur until 2010-11. The budget is to be moved to 2010-11 to reflect this.</p>	(554,480)	554,480	HRA Revenue Financing

2009-10/GF060 V01 Places of Change Housing GF	The section 106 funding for this project is to contribute towards the build costs. Work is not expected to be on site now until April 2010, therefore the budget for this needs to be moved to 2010-11 (£150k). Additional CLG grant of £26k is now required in 2009-10 following updated costs from Midland Heart. There is no overall impact on the budget for this project; it is simply a re-alignment of expenditure and funding.	(123,709)	123,709	Section 106 & CLG
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Further details of these variations can be seen at Annex B of this report.

* Included on the agenda for this meeting is a separate Cabinet report covering this item.

2.3 That Cabinet note:

- a) The capital programme monitoring position as at end of October 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

3.1 Report Background

- 3.1.1 The latest approved capital programme for 2009-10 was approved by Cabinet on 25 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 Council's 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 3.2.29 below.

Capital Programme position as at end of October 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 October 2009.

3.2.6 Annex C shows the position at summary level as at the end of October 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 October 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 October 2009 is £6.973m. This represents 26.58% of the latest approved budget of £26.230m, and 30.65% of the forecast outturn figure of £22.748m

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 Of the total capital programme forecast underspend of £3.488m at year-end

- £3.744m underspend will be covered through the approval of project variations brought to this Cabinet
- There is a forecast overspend of £52k 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 overspend of £510k on the Upton Country Park Pedestrian and Cycle Bridge. The revised cost is currently being challenged and the budget holder is investigating the section 106 funds available for this project. A project variation will be brought to Cabinet once these issues have been resolved.
- There is a forecast underspend of £208k on the IT Network Replacement Programme. The budget for this project was originally profiled over two financial years, however due to slippage from 2008-09 the total budget is now in 2009-10. Once the phasing of this project is complete this figure will be revised and a variation will be brought to Cabinet.

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 October is £1.844m, the latest approved budget is £5.634m and the forecast outturn for these schemes is £6.143m. Further details of these schemes can be seen at Annex E of this report.

Capital Programme Funding

3.2.13 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.

3.2.14 The financing of the programme for 2009-10 is set out at Annex F.

3.2.15 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:

Scheme	2009-10 Value	Future Years Value	Funding Impact
	£	£	
Playbuilder – Eastfield Park	500	-	DSCF
Urban Enhancement	(4,670)	-	Prudential Borrowing
DPPO Signage	(380)	-	Home Office.
Abington Museum Upgrade	(987,575)	-	£900k Heritage Lottery Fund, £87,575 Prudential Borrowing

3.2.16 The prudential borrowing reduction associated with the removal of the Abington Museum Upgrade project and the saving from the Urban Enhancement project will be used to reduce the amount of additional prudential borrowing that has been agreed since the beginning of the year. The additional prudential borrowing required is now £235k.

- 3.2.17 The additional funding required for the IBS Housing Management System project will be from the HRA earmarked carry-forward reserve. Therefore there will be no increase to the overall financing requirement, however the amount available to be carried forward to fund future year projects will be reduced.
- 3.2.18 The movement of budget from 2009-10 to 2010-11 for the HRA projects will have no impact on the overall financing requirement, as it will increase the revenue reserve to be carried forward to 2010-11.
- 3.2.19 The value of useable RTB capital receipts received to the middle of November is £140k. 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 middle of November is £210k. £100k will be placed in a capital reserve, in line with the capital strategy, as agreed by Council 26 February 2009. £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.

Capital Programme 2009-10			
	Programme	Financing	In Year Financing Variance Excess/ (Shortfall)
	£000	£000	£000
Latest approved programme (25 th November Cabinet)	26,230	35,134	8,904
Variations brought to this Cabinet (2009-10 impact only)	(3,744)	(966)	2,778
RTB Capital Receipts Received	-	71	71
Reduction of HRA Earmarked Reserve	-	(1,000)	(1,000)
Latest proposed programme	22,486	33,239	10,753

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		
Capital Reserve			
Non RTB Capital Receipts	100		
Earmarked carry forward to 2010-11			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		8,208	
Grants & Contributions	150	188	
RTB Capital Receipts		140	
Non RTB Capital Receipts	110		
Rounding	1		
Total	2,217	8,536	10,753

3.2.24 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.

3.2.25 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.

3.2.26 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 Detailed work on the cashflow for the Woodside Way project has highlighted that £188k of the HCA grant funding will not be required until next financial year.
- 3.2.28 There is no overall impact to the Places of Change budget, however the expenditure and funding for this project has been re-aligned. An additional £26k of CLG funding is required in 2009-10 and the £150k section 106 is now not required until 2010-11.
- 3.2.29 The amount of £8.208m shown above for the carried forward HRA revenue ear-marked reserve, is needed to fund continuations of the existing HRA programme in future years. This has been changed to reflect the variations included in this report and there has also been a reduction of £1m to the in year contribution from the housing revenue account. The reduction in contribution to reserve is to compensate for the forecast overspend on the HRA, which is reported to this cabinet as part of the HRA monitoring report.

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)

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

- 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.
- 4th November 2009 –Capital Programme 2009 – Position as at end of August 2009
- 25th November 2009 – Capital Programme 2009 – Position as at end of September 2009.

5.2 Capital Project Appraisals

- 2009-10/HRA018 Capital Improvement Works

5.3 Capital Project Variations

- 2007-08/CS0026 V04 IBS Housing Management System
- 2008-09/GF074 V01 Playbuilder Eastfield Park
- 2006-07 Slip V17 Urban Enhancement
- 2008-09/GF078 V01 DPPO Signage
- 2007-08/CS029 V01 Abington Museum Upgrade
- 2007-08/GI0010 V03 One Stop Shop, CRM
- 2008-09/GF043 V05 E-Benefits Application
- 2008-09/GF080 V01 EDT Workflow
- 2008-09/GF081 V01 Lings Forum Wetside Changing Rooms
- 2008-09/GF067B V02 Fire Door Improvements
- 2008-09/HRA007 V01 Complete Roofs
- 2009-10/HRA002 V01 Cooper Street Replacement – Phase 2
- 2009-10/HRA004 V03 Decent Homes & Poor Condition
- 2009-10/HRA015 V02 Lifts Refurbishment
- 2009-10/GF060 V01 Places of Change

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