



## CABINET REPORT

<b>Report Title</b>	<b>CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF NOVEMBER 2009</b>
---------------------	--

**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	20 January 2010
<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/GF070 Grimebusters  Environment & Culture	Purchase of two trailer mounted pressure washers and a bespoke vehicle for street washing and gum removal. The vehicle and equipment would be used to deliver an enhanced street scene with washed streets (targeting the town centre), free of gum and a reduction in graffiti.	84,000	-	NEIP
2009-10/GF071B Carbon Management Projects – Lighting and Timeclocks  Environment & Culture	To undertake a range of energy saving projects to reduce the carbon emissions of the Council, in line with the adopted policy and terms and conditions of the external grant funding. The work will include lighting upgrades to: Greyfriars bus station, Westbridge Cedos block, Camp Hill Depot and Fish Street offices. Timeclocks will be installed at the Central Museum, Fish Street offices and Westbridge Admin block. Passive infrared lighting will be installed at Lings Forum.	52,721	-	50% Prudential Borrowing, 50% Salix
2009-10/GF072 Partnership Information Hub (GIS)  Finance & Support	To create a Northamptonshire partnership information hub. This will ensure that there is a comprehensive central information point for demographic, socio-economic and general geographic information.	121,000	49,000	NEIP

Further details of these appraisals 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.

<b>Scheme Reference, Description &amp; Directorate</b>	<b>Narrative</b>	<b>2009-10 £</b>	<b>Future Years £</b>	<b>Funding Source</b>
<b>Budget Increase</b>				
2008-09/GF073 V03 Money 4 Youth  Assistant Chief Executive	Additional funding of £25k has been awarded to NBC for floodlights and a youth shelter at the multi-use games area in St Davids. The original budget for this project was an estimate of the funding that would be received, the amount in the capital programme is £14,632 less than the funding received, therefore the budget needs to be increased by a net amount of £10,368.	10,368	-	GOEM
<b>Budget Decrease</b>				
2009-10/GF063B V01 Lings Forum Lighting Upgrade  Environment & Culture	Further testing has shown that this project is not compliant with the terms and conditions of the Salix funding. Other projects will be submitted to utilise this funding, therefore there are no savings as a result of this variation.	(39,444)	-	50% Prudential Borrowing, 50% Salix
<b>Neutral Budget Impact</b>				
2007-08/CS012 V06 Kitchen Replacement (Backlog)  Housing HRA	Additional kitchens requiring urgent replacement and kitchens that are in homes in a general poor state of repair have resulted in the average kitchen cost being higher than estimated.	80,000	-	MRA
2008-09/HRA007 V04 Complete Roofs  Housing HRA	An additional roof replacement arising out of a responsive repair issue required capital replacement over and above this year's original programme.	45,000	-	MRA
2009-10/HRA002 V02 Cooper Street Heating Improvements – Phase 2  Housing HRA	This project has been tendered and has come in well within budget. Sizeable contingencies are required to ensure all the technical issues associated with a complex district heating scheme can be resolved quickly and efficiently, to maximize tenant comfort and satisfaction, however there is still sufficient budget to finance other key schemes delivering decent homes.	(100,000)	-	MRA

2009-10/HRA004 V05 Decent Homes & Poor Condition  Housing HRA	There are some decent homes issues associated with structural defects and key decent homes failures that need immediate attention in order that the council does not breach its right to repair duty under the Landlord and Tenants Act. These are works to be completed earlier than expected but that would have been attributed to decent homes budgets later in the investment programme.	(85,000)	-	MRA
2009-10/HRA007 V02 Structural Repairs  Housing HRA	Following reports of leaks and other reported issues to the roof at St Katharine's Court in Spring Boroughs inspection has shown that the parapet wall to the top of this ten-story block is in a dilapidated state and requires urgent attention. The works are sufficient in scope and nature to warrant capital expenditure.	10,000	-	MRA
2009-10/HRA014 V03 Door Entry Replacement  Housing HRA	Additional urgent door replacements and upgrades are required to defend vulnerable blocks from serious antisocial behaviour such as arson, and deliberate damage, where the risk to property and people is considerable.	50,000	-	MRA

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 November 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 16 December 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 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 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 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.13 to 3.2.27 below.

### **Capital Programme position as at end of November 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 November 2009.
- 3.2.6 Annex C shows the position at summary level as at the end of November 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 November 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 November 2009 is £7.854m. This represents 34.93% of the latest approved budget of £22.486m, and 35.5% of the forecast outturn figure of £22.123m
- 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 £363k at year-end

- £229k overspend will be covered through the approval of project appraisals and project variations brought to this Cabinet
- There is a forecast overspend of £52k on the Choice Based Lettings Sub-Regional scheme. It is now unlikely that the whole of this overspend will materialise in 2009-10 as the project has not yet started; this figure will be updated once the contract is signed. 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 project plan has been agreed with the contractor.
- 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.
- There is a forecast underspend and slippage on the following projects: One Stop Shop, CRM (£59k), Ecton Lane Improvements 2 (£250k), Housing and Planning Delivery Improvements (£150k) and Decent Homes & Poor Condition (£500k). The amounts on these projects are subject to change and for this reason project variations will not be brought to Cabinet. These figures will be updated on a monthly basis as better information becomes available.

#### 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 November is £2.097m, 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:

<b>Scheme</b>	<b>2009-10 Value</b>	<b>Future Years Value</b>	<b>Funding Source/Impact</b>
	<b>£</b>	<b>£</b>	
Grimebusters	84,000	-	Northamptonshire Improvement & Efficiency Partnership (NIEP)
Money 4 Youth	10,368	-	Government Office for the East Midland (GOEM)
Partnership Information Hub	121,000	49,000	Northamptonshire Improvement & Efficiency Partnership (NIEP)

3.2.16 There is no impact to the overall financing requirement as a result of the new carbon management projects or the variation to an existing project. The funding for these was approved as part of the 2008-09 capital programme and was already included in the financing as earmarked awaiting projects.

3.2.17 The value of useable RTB capital receipts received to the beginning of December is £166k. These will be placed in a capital reserve and used in the future to support the HRA programme.

3.2.18 The value of non-RTB capital receipts received to the end 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 has been earmarked to support next year's capital programme.

3.2.19 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 (25 <sup>th</sup> November Cabinet)	<b>22,486</b>	<b>33,239</b>	<b>10,753</b>
Appraisals brought to this Cabinet	258	254	(4)
Variations brought to this Cabinet	(29)	10	39
RTB Capital Receipts Received	-	26	26
Rounding	-	1	1
<b>Latest proposed programme</b>	<b>22,715</b>	<b>33,530</b>	<b>10,815</b>



3.2.20 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	24		
Grants and Contributions	55		
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		8,208	
Grants & Contributions	199	188	
RTB Capital Receipts		166	
Non RTB Capital Receipts	110		
Rounding	1		
<b>Total</b>	<b>2,253</b>	<b>8,562</b>	<b>10,815</b>

3.2.21 Changes to the carbon management projects have resulted in £112k of unallocated funding. This has decreased by £13k due to the new projects and project variations submitted to this Cabinet. 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 £112k is made up of £24k prudential borrowing, £24k Salix funding and £64k revenue contribution.

3.2.22 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.

3.2.23 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.

- 3.2.24 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.
- 3.2.25 Capital funding of £170k has been awarded to NBC for the Northamptonshire Information Hub (GIS) project. The expenditure for this project will span over two financial years with £49k of this funding not being required until 2010-11.
- 3.2.26 The expenditure and funding for the Places of Change has been re-aligned. An additional £26k of CLG funding is required in 2009-10 and £150k section 106 is now not required until 2010-11.
- 3.2.27 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.

### **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 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 Capital programme budget setting and monitoring reports to Cabinet throughout 2009-10

## 5.2 Capital Project Appraisals

- 2009-10/GF070 Grimebusters
- 2009-10/GF071B CMP Electrical Projects
- 2009-10/GF072 Partnership Information Hun (GIS)

## 5.3 Capital Project Variations

- 2008-09/GF073 V03 Money 4 Youth
- 2009-10/GF063B V01 Lings Forum Lighting Upgrade
- 2007-08/CS012 V06 Kitchen Replacement
- 2008-09/HRA007 V04 Complete Roofs
- 2009-10/HRA002 V02 Cooper Street Heating Improvements – Phase 2
- 2009-10/HRA004 V05 Decent Homes & Poor Condition
- 2009-10/HRA007 V02 Structural Repairs
- 2009-10/HRA014 V03 Door Entry Replacement

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