



CABINET REPORT

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

Cabinet Meeting Date:	10 February 2010
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
Budget Increase				
2007-08 GI0009 V03 E-Payments Chip & Pin Finance & Support	There were unforeseen complications during the project, which resulted in the need for additional resource to ensure project deadlines were met. The E-returns did not work when they went live, which meant that each individual E-return had to be rebuilt. The additional budget required will be funded by an increase in prudential borrowing.	4,103	-	Prudential Borrowing
2008-09/GF045B V05 CMP Building Energy Management System Environment & Culture	An increase in budget is necessary due to additional work being required. The unallocated Salix grant funding and prudential borrowing that is ringfenced for carbon management projects will fund this.	673	-	50% Salix Grant, 50% Prudential Borrowing
Budget Decrease				
2008-09 GF036 V06 & 2009-10 GF066 V01 CMP Pipework Insulation Environment & Culture	Pipework insulation has been completed at Lings Forum, Mounts Baths, Danes Camp Leisure Centre and the Guildhall. The cost of all of these pieces of work are less than originally thought, therefore the budgets need to be reduced. There will be no savings arising from this variation; the funding will be reinvested in other carbon management projects, in line with the terms and conditions of the external funding.	(4,374)	-	50% Salix Grant, 50% Prudential Borrowing
2009-10/GF057 V01 Danes Camp Flume Relining Environment & Culture	A supplier has been found that can carry out the project in a method that causes little disruption to the pool's timetable therefore eliminating the necessity to close. The project costs are also much less than originally budgeted for which reduces the amount of capital funding required.	(8,000)	-	GF Revenue Contribution

Movement Between Years				
2008-09/GF057 V01 Upton Country Park Pedestrian & Cycle Bridge Planning & Regeneration	The delivery of the project is delayed due to a third party land ownership issue and incorrect base data provided by the Environment Agency. The original cost estimate did not have a sufficient allowance for the necessary temporary works and access costs to construct the bridge. The revised cost has been compiled with input from a civil engineering contractor.	(654,000)	1,321,217	Section 106
2009-10/GF067 V01 Camp Hill MUGA Environment & Culture	Due to construction lead times and time to source materials being longer than originally stated, construction will now take place next financial year.	(47,150)	47,150	The Big Lottery
2009-10/HRA002 V03 Cooper Street Heating Improvements Phase 2 Housing HRA	As a result of the recent severe weather conditions and the outcome of the risk assessment undertaken, works on this project will not be completed this financial year. It is proposed to slip £586,640 into next financial year, so that works can carry be completed in warmer weather, when tenants will not require their heating.	(586,640)	586,640	MRA
2009-10/HRA004 V06 Decent Homes & Poor Condition Housing HRA	Slippage into next financial year is required due to contract start date on site being later than initially planned.	(765,000)	765,000	HRA Earmarked Reserve, MRA & RTB Capital Receipts
2009-10/HRA005 V03 Garage Roofs & Doors Housing HRA	A garage review is underway, identifying the sites for improvement or development. It is not appropriate to carry out works until the review is complete and the overall position on garages has been assessed. It is therefore requested to slip the remaining budget for this project into next financial year in order to fulfil the works highlighted from the review.	(21,882)	21,882	MRA
2009-10/HRA009 V02 Environmental Enhancements Housing HRA	This project was slow to start due to: 1) Issues with residents consultation. 2) Design of schemes. 3) Leaseholder consultation. Therefore not all of the budget will be spent in 2009-10 and it is proposed to move £24,520 into 2010-11.	(24,520)	24,520	MRA

2009-10/HRA013 V03 Adhoc Doors & Window Replacements Housing HRA	Slippage is required into the next financial year due to planned works being delayed because of the severe weather conditions during December and January.	(12,000)	12,000	MRA
2009-10/HRA015 V03 Lifts Refurbishment Housing HRA	The start date of this project was delayed due to issues with section 20 notices. Works will start this financial year, but will not be completed until 2010-11.	(130,000)	130,000	MRA

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 December 2009, including forecast outturns, revenue expenditure funded by capital and slippage into 2010-11, as set out at Annex B, C and D.
- 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 20 January 2010.

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 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 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 3.2.13 to 3.2.24 below.

Capital Programme position as at end of December 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 December 2009.
- 3.2.5 Annex B shows the position at summary level as at the end of December 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 proposed in this report.
 - Actual expenditure to the end of December 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 December 2009 is £8.989m. This represents 39.6% of the latest approved budget of £22.715m, and 49.2% of the forecast outturn figure of £18.265m.
- 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 December is £2.409m, the latest approved budget is £6.383m and the forecast outturn for these schemes is £4.858m. Further details of these schemes can be seen at Annex D of this report.
- 3.2.10 The GF forecast expenditure to the year-end is approximately £3.9m. This includes a forecast of £264k for two IT projects which are dependent on the outcome of the proposed Cliftonville office move and £597k for the Places of Change project with approximately £150k of this being dependent on the timing of the statutory compensation costs for relocation. There are no issues or concerns regarding the forecasts on the GF remaining projects.
- 3.2.11 The HRA forecast spend to the year-end is approximately £5.3m. There are some concerns with regard to the current forecast on the following schemes: Capital Improvement Works (£300k), Voids (£948k) and IBS Open Housing (£289k). The percentage spend on these schemes is particularly low. Further investigation by Housing is required in order to provide more robust forecasts.

3.2.12 Of the total capital programme forecast underspend of £4.45m at year-end

- £2.249m underspend will be covered through the approval of project variations brought to this Cabinet.
- There is a forecast underspend and slippage of £25k on the Radon Ventilation. The procurement process is underway but it is unlikely that the work will be completed this financial year.
- There is a forecast underspend of £19k on the Culture and Leisure projects that are funded by The Big Lottery. These projects are concerned with play and due to the nature of the equipment that is required for these projects the budget holder has requested that the funding is reclassified as revenue. Project variations will be brought to Cabinet for these if The Big Lottery approves the reclassification.
- There is a forecast underspend and slippage of £844k on the private sector housing projects. These projects are concerned with awarding grants to those on low income living in private sector homes to bring their homes up to the decent homes standard or for disabled adaptations. This is an estimate of the grants that will not have been paid at year-end, as there can be a time lapse of up to 12 months from when the grants are approved to when the work is completed.
- 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.
- The progress on the One Stop Shop, CRM project and the IT Network Replacement project have been delayed pending the outcome of the proposed Cliftonville office move. The forecast underspend and slippage on these projects is £59k and £267k respectively. These figures will be updated as soon as further information is available.
- There is a forecast underspend and slippage of £190k on the One Stop Shop transformation project. External funding has been received to support this project, which is currently being reviewed. A project variation will be brought to Cabinet once the review is complete.
- There is a forecast overspend of £100k on the disabled adaptations to Council stock project. This will be covered by underspends on other HRA capital projects, which are in the process of being identified.
- There is a forecast underspend and slippage of £550k on the Countywide Climate Friendly Communities scheme. This is the first year of this project

and as it is dependent on the other Local Authorities in Northamptonshire the forecast is a best estimate. This will be updated on a monthly basis.

- There is a forecast underspend and slippage on the following projects: Ecton Lane Improvements 2 (£250k) and Housing and Planning Delivery Improvements (£150k) 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.

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 E.

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

Scheme	2009-10 Value	Future Years Value	Funding Source/Impact
	£	£	
E Payments, Chip & Pin	4,103	-	Prudential Borrowing
Danes Camp Flume Relining	(8,000)	-	General Fund Revenue Contribution
Upton Country Park Pedestrian and Cycle Bridge	-	667,217	Section 106

3.2.16 The E Payments, Chip and Pin project requires an additional £4k of prudential borrowing.

3.2.17 The revenue contribution required from asset management for the Danes Camp Flume Relining project is £8k less than originally budgeted due to reduced costs of the work.

3.2.18 The Upton County Park Pedestrian and Cycle Bridge project has no financial impact on 2009-10, as the £654k that is being moved to 2010-11 will be ring fenced as carry forward for this project. However an addition £667k of section 106 monies is required in 2010-11 to enable the project to be completed. In approving the variation, agreement is given to use section 106 monies, references H006 and H160, to fund the additional expenditure required.

3.2.19 There is no impact to the overall financing requirement as a result of the variations to the carbon management projects. The funding for these were approved as part of the 2008-09 and 2009-10 capital programmes and are already included in the financing as earmarked, awaiting project appraisals.

- 3.2.20 The value of useable RTB capital receipts received to the end of January is £178k. These will be placed in a capital reserve and used in the future to support the HRA programme.
- 3.2.21 The value of non-RTB capital receipts received to the end of December is £210k. £100k will be placed in a capital reserve, in line with the capital strategy, subject to any conditions attached to any capitalisation directives awarded by CLG.
- 3.2.22 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 (20th January Cabinet)	22,715	33,530	10,815
Appraisals brought to this Cabinet			
Variations brought to this Cabinet	(2,249)	(4)	2,245
RTB Capital Receipts Received	-	16	16
Rounding			
Latest proposed programme	20,466	33,542	13,076

3.2.23 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	25		
Grants and Contributions	57		
Revenue Financing	64		
Capital Reserve			
Non RTB Capital Receipts	100		
Earmarked carry forward to 2010-11			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		8,500	
Grants & Contributions	900	188	
RTB Capital Receipts		380	
Non RTB Capital Receipts	110		
MRA		1,050	
Rounding	1	1	
Total	2,957	10,119	13,076

3.2.24 The in year funding variance has increased due to the following

- Changes to the carbon management projects have resulted in an increase of £2k to both the general fund prudential borrowing and grants and contributions. This money is ring fenced for future carbon management projects to meet the terms and conditions of the external funding.
- There has been an increase of £701k in grants and contributions earmarked for carry forward to 2010-11. This is due to the movement of budget into 2010-11 for the Camp Hill MUGA project (£47) and Upton Country Park Pedestrian and Cycle Bridge project (£654k).
- The movement of budget into 2010-11 for the HRA projects has resulted in the following increases to the earmarked carry forward to 2010-11: revenue reserve £292k, RTB capital receipts £198k and MRA £1.050m.

- There has been an increase of £16k in RTB capital receipts due to the sale of one council dwelling.

3.3 Choices (Options)

- 3.3.1 Cabinet are asked to approve the variations 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 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 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 Variations

- 2007-08 GI0009 V03 E-Payments Chip & Pin
- 2008-09/GF045B V05 CMP Building Energy Management System
- 2008-09 GF036 V06 & 2009-10 GF066 V01 CMP Pipework Insulation
- 2009-10/GF057 V01 Danes Camp Flume Relining
- 2008-09/GF057 V01 Upton Country Park Pedestrian & Cycle Bridge
- 2009-10/GF067 V01 Camp Hill MUGA
- 2009-10/HRA002 V03 Cooper Street Heating Improvements Phase 2
- 2009-10/HRA004 V06 Decent Homes & Poor Condition
- 2009-10/HRA005 V03 Garage Roofs & Doors

- 2009-10/HRA009 V02 Environmental Enhancements
- 2009-10/HRA013 V03 Adhoc Doors & Window Replacements
- 2009-10/HRA015 V03 Lifts Refurbishment

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