



CABINET REPORT

Report Title	CAPITAL PROGRAMME 2009-10 – POSITION AS AT END OF JANUARY 2010
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	17 March 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 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/GF074 Capitalisation Directive January 2010 Finance & Support	Capitalisation directives awarded January 2010 for statutory redundancy costs and pension strain incurred 1 April 2009 to 31 March 2010.	210,000	-	GF Capital Receipts

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 Increase				
2009-10/GF031 V01 One Stop Shop Transformation Finance & Support	The original plan for this project did not include co-locating with external partners. An application was submitted to NIEP, which delayed the start of the project in 2009-10. NBC has been awarded £260k towards the cost of co-locating. Additional building works of £150k are required to accommodate the partners, which will take place in 2010-11. This will result in improved service delivery for all partners. There is an overall saving to NBC of £10k (prudential borrowing)	(185,000)	335,000	NIEP
Budget Increase				
2009-10/GF069 V01 Market Square Lighting Planning & Regeneration	The original budget for this project did not include WNDC's management fee. The budget needs to be increased by £18,125 to include this fee; additional funding will be received to cover this.	18,125	-	WNDC
Scheme Reference,	Narrative	2009-10	Future	Funding

Description & Directorate		£	Years £	Source
Budget Decrease				
2008-09/GF061 V02 Out of School Hours Play Activities 2008-09/GF062 V01 Holiday Play 2008-09/GF064 V01 Innovative Play Days 2008-09/GF063 V02 Improving Access Environment & Culture	The funding for these projects were originally classified as capital, however due to the nature of play and the equipment used in play, The Big Lottery has agreed to reclassify this funding as revenue. The income and expenditure budgets will be moved from the capital programme to the revenue budget. Project variations have been submitted for each scheme, detailing the amount for each project and the split between financial years.	(19,466)	(9,400)	Big Lottery
2009-10/GF061 V01 Capitalisation Directive October 2009 Finance & Support	The costs to which this project relates are now due to be incurred in Autumn 2010. As the capitalisation directive will have expired by then a new bid will need to be made to CLG in 2010-11.	(300,000)	-	Prudential Borrowing
Neutral Budget Impact				
2007-08/PR0010 V02 Hot Property Housing GF	Additional budget is required due to the increased demand for this initiative. This will reduce the number of homes in Northampton that are suffering from fuel poverty.	10,000	-	Prudential Borrowing
2007-08/PR0011 V02 Renovation Grants Housing GF	The variation is required due to the increased demand for funding under the Hot Property initiative. Transferring funds from this budget will allow Northampton Borough Council to address the most urgent and unmet needs in society.	(10,000)	-	Prudential Borrowing

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 January 2010, 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 10 February 2010.

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 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 3.2.14 to 3.2.26 below.
- 3.2.5 The following scheme has been approved by delegated decision and is included in para. 3.2.24
- 2009-10/GF073 Playbuilder - Racecourse

Capital Programme position as at end of January 2010

- 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 January 2010.
- 3.2.6 Annex C shows the position at summary level as at the end of January 2010. The information includes
- Latest proposed capital programme, incorporating the original programme for 2009-10, slippage from 2008-09, and other agreed changes, and the further amendments proposed in this report.
 - Actual expenditure to the end of January 2010
 - 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 January 2009 is £9.972m. This represents 48.6% of the latest approved budget of £20.515m, and 60.8% of the forecast outturn figure of £16.410m. Further detail on the forecast slippage can be found at 3.2.13 below.
- 3.2.10 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 January is £2.797m, the latest approved budget is £5.850m, the latest proposed budget is £5.550m and the forecast outturn for these schemes is £3.818m with slippage of £1.731m. Further details of these schemes can be seen at Annex E of this report.
- 3.2.11 The GF forecast expenditure to the year-end is approximately £2.6m. This includes a forecast of £581k for the projects relating to the Market Square; these are all externally funded and have to be spent by the end of the financial year to meet the terms and conditions of the funding. £853k relates to the grants that are awarded to those living in private sector houses. Grants are approved throughout the year on these projects. £210k relates to the Capitalisation Directive January 2010 project that has been submitted with this report. The nature of this expenditure is that it will be charged to capital at year-end. The forecasts on the remaining GF projects are all less than £100k each. There are no issues or concerns regarding the forecasts on the GF projects.
- 3.2.12 The HRA total forecast spend for the year is £9.626m of which approximately £3.847m is still forecast to spend from period 10. This includes a forecast of £614k for the Decent Homes & Poor Condition project. Works were intentionally slowed down due to contract issues, however further work has now been commissioned. £944k relates to the Voids project and £300k to the Capital Improvement Works project. These costs are currently in revenue and will be moved to capital to the extent that evidence is available that the expenditure meets the regulatory definition of capital.
- 3.2.13 There is a total capital programme forecast underspend of £4.106m, with slippage forecast of £4.228m at year-end. The slippage forecast is slightly more than the forecast underspend due to forecast overspends in certain areas which will mainly be funded by corresponding underspends elsewhere in the programme and identified as part of the outturn and additional funding from third parties.
- £276k of the underspend will be covered through the approval of the project appraisal and project variations brought to this Cabinet.
 - A summary by division of the slippage requirements is provided below, further details can be seen in Annex D.

General Fund

- a) Finance & Assets: There is forecast slippage of £55k for this division, which is made up of 2 schemes.
- b) Consumer Services & ICT: The total forecast slippage for this division is £906k, of which £679k relates to three projects, £175k to the One Stop Shop transformation project and £47k to the Partnership Information Hub project.
- c) Public Protection: The total forecast slippage for this division is £243, which relates solely to the carbon management project for the Lighting Upgrade at Fish Street.
- d) Neighbourhood & Environmental Services: The total forecast slippage for this division is £3.8k, which relates to Play Area Safety Bases.
- e) Culture & Leisure: The total forecast slippage for this division is £1k, which relates to the Money for Youth Summer Sports Project.
- f) Planning: The total forecast slippage for this division is £150k, which relates to the Housing Planning Delivery Grant funded IT up-grade and Improvements Project. This project was planned originally as a two and half year project, this being Year 1. The slippage has been caused by unavoidable delays with certain process specifications. It is now anticipated that due to these issues being resolved, the project will be completed within the original timetable.
- g) Northampton Local Strategic Partnership: The total forecast slippage for this division is £9k, which relates to the Night Safe & Target Hardening project.

Housing General Fund

- a) Strategy, Investment & Performance: The total forecast slippage for this division is £546k, which relates to the Places of Change Project.
- b) Landlord Services: The total forecast slippage for this division is £332k, which relates to the Ecton Lane Improvements 2 project.
- c) Needs & Support: The total forecast slippage for this division is £1,137k of which £587k relates to private sector housing projects, including disabled adaptations. The slippage for disabled adaptations relates to grants that are committed but potentially not paid by the year-end. £550k relates to the Countywide Climate Friendly Scheme. The authority has committed our allocation of £100k; the slippage is mainly due to the need for other authorities to spend their allocation.

Housing Revenue Account

- a) Strategy, Investment & Performance: The total forecast slippage for this division is £1.087k of which £220k relates to IBS Open Housing project, £17k to the Door Entry programme, £750k Decent Homes & Poor Condition project and £100k Complete Roofs project.

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:

Scheme	2009-10 Value	Future Years Value	Funding Source/Impact
	£	£	
One Stop Shop Transformation	(10,000)	160,000	Prudential Borrowing/NIEP
Market Square Lighting	18,125	-	West Northamptonshire Development Corporation
Out of School Hours Play Activities	(5,667)	(3,735)	Big Lottery
Holiday Play	(5,041)	(4,817)	Big Lottery
Innovative Play Days	(950)	(850)	Big Lottery
Improving Access	(7,808)	-	Big Lottery
Capitalisation Directive October 2009	(300,000)	-	Prudential Borrowing

3.2.17 External funding has been awarded from Northamptonshire Improvement and Efficiency Partnership (NIEP) for the One Stop Shop Transformation project; as a result the amount of prudential borrowing that is required for this project has decreased by £10k.

3.2.18 The Market Square Lighting project is subject to a project management fee from West Northamptonshire Development Corporation (WNDC). WNDC are funding this project and £18,125 will be paid to NBC in addition to the original £250k grant.

3.2.19 There will be a reduction to the 2009-10 capital programme of £19,466 due to the removal of the projects that are funded by the Big Lottery. There will be no overall impact to the amount of funding that NBC will receive; the change is merely between the classification of capital and revenue funding.

3.2.20 There will be a reduction to the prudential borrowing requirement of £300k in 2009-10 due to the removal of the Capitalisation Directive October 2009 project.

3.2.21 There is no impact to the overall financing requirement as a result of the Capitalisation Directive January 2010 appraisal brought with this report. This will be funded by general fund capital receipts, which were previously included in the financing as unallocated funding.

3.2.22 The value of useable RTB capital receipts received to the middle of February is £219k. These will be placed in a capital reserve and used in the future to support the HRA programme.

3.2.23 The value of non-RTB capital receipts received to the middle of February is £210k. These will be used to fund the Capitalisation Directive January 2010 project brought with this report.

3.2.24 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 (10th February Cabinet)	20,466	33,542	13,076
Appraisal agreed by delegated decision	49	49	-
Appraisal brought to this Cabinet	210	-	(210)
Variations brought to this Cabinet	(486)	(311)	175
RTB Capital Receipts Received	-	37	37
Rounding		(1)	(1)
Latest proposed programme	20,239	33,316	13,077

3.2.25 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		
Earmarked carry forward to 2010-11			
Budgeted Prudential Borrowing	1,840		
Revenue Reserve		8,500	
Grants & Contributions	935	188	
RTB Capital Receipts		417	
MRA		1,050	
Rounding	1		
Total	2,922	10,155	13,077

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.
- 3.3.2 Cabinet may decide not to approve one of more of the new schemes and variations.

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/GF074 Capitalisation Directive January 2010

5.3 Capital Project Variations

- 2009-10/GF031 V01 One Stop Shop Transformation
- 2009-10/GF069 V01 Market Square Lighting
- 2008-09/GF061 V02 Out of School Hours Play Activities
- 2008-09/GF062 V01 Holiday Play
- 2008-09/GF064 V01 Innovative Play Days
- 2008-09/GF063 V02 Improving Access
- 2009-10/GF061 V01 Capitalisation Directive October 2009
- 2007-08/PR0010 V01 Hot Property
- 2007-08/PR0011 V02 Renovation Grants

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