



## CABINET REPORT

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

<b>Cabinet Meeting Date:</b>	14 October 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 capital schemes to be added to the Council's capital programme for 2009-10
- Request further approval for a capital scheme in the Council's capital programme for 2009-10.
- Request approval for a capital scheme to be added to the Council's capital programme for 2010-11
- Request approval for a variation to a capital scheme 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/GF067 Camp Hill Multi Use Games Area (MUGA)  Environment & Culture	The installation of a new Multi Use Games Area in Camp Hill. This work will be funded by a grant from the Big Lottery.	50,000	-	The Big Lottery
2009-10 GF068 Bus Station ANPR  Environment & Culture	Purchase and installation of an automated number plate recognition (ANPR) system at the bus station to enable the monitoring and management of vehicles as part of the Health & Safety Executive Action Plan improvement works.	30,000	-	Prudential Borrowing

Further details of these appraisals can be seen at Annex A to this report.

2.2 That Cabinet further approve the following scheme in the Council's 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 GF031 One Stop Shop Transformation  Finance & Support	The One Stop Shop concept needs to transform and modernize to match demand, and be fit for purpose. To maximize space to the full, enabling staff to respond more professionally to clients needs. This will include an effective queue management system, easily identified waiting areas, plasma information screen, a better variety of seating options, and a children's play area.	250,000	-	£100k Third Party Contributions, £150k Prudential Borrowing

Further details of this appraisal can be seen at Annex A to this report.

2.3 That Cabinet approve the following scheme to be added to the capital programme for 2010-11

<b>Scheme Reference, Description &amp; Directorate</b>	<b>Narrative</b>	<b>2010-11 £</b>	<b>Future Years £</b>	<b>Funding Source</b>
2010-11 HRA018 Challenge Fund Round 2 Bid (NBC New Build Scheme)  Housing HRA	The project is to seek funding from the Homes & Communities Agency (HCA) challenge fund round 2 bid; to build approximately 6 new council owned family houses. The challenge fund requires at least 50% of the total scheme costs to be funded by the local authority through prudential borrowing, with the remaining cost being funded through a bid to the HCA for Grant funding.	955,259	-	£477,630 Prudential Borrowing, £477,629 HCA

Further details of this appraisal can be seen at Annex A to this report.

2.4 That Cabinet approve the following variation to a scheme 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>
2008-09/GF068 V03 Market Square  Planning & Regeneration	The original costs of the gateway aspect of the project were estimated by the cost consultant, however these have now been revised upwards by the contractor, and are now more than the budget. Therefore the use of section 106 monies is required to fund these additional costs. If the use of the section 106 monies were not approved major items agreed by project board would have to be omitted.	40,052	-	£38,052 Section 106. £2k NEL

Further details of this variation can be seen at Annex B of this report.

2.5 That Cabinet note:

- a) The capital programme monitoring position as at end of July 2009, including forecast outturns and slippage into 2010-11, as set out at Annex C and D.

- b) The funding arrangements for the 2009-10 capital programme as set out at Annex E.

2.6 Cabinet approve the usage of section 106 funds as outlined in paragraph 2.3 variations to the capital programme.

- 2008-09/GF068 V03 Market Square

### **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 23 September 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 Further approval is sought for a capital scheme that is already in the Council's capital programme for 2009-10, as set out at paragraph 2.2 above.
- 3.2.3 Approval is sought to add a scheme to the Council's capital programme for 2010-11, as set out at paragraph 2.3 above.
- 3.2.4 Approval is sought for a variation to a scheme that is already in the Council's capital programme for 2009-10, as set out at paragraph 2.4 above.
- 3.2.5 All proposals put forward for approval with this report have been submitted on capital project 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.
- 3.2.6 Approval is sought to use the section 106 funds for the purposes outlined in paragraph 2.4.
- 2008-09/GF068 Market Square
- 3.2.7 Cabinet need to be aware of the Revenue implications of the capital scheme HRA018 HCA new build, Bondfield Ave which are estimated between £7.9k - £5k per annum over the 50 year life of the asset. There are potential RTB implications from this scheme, dependent on the requirement to repay grant. The details of these have yet to be fully notified to the authority.
- 3.2.8 The funding implications of proposed programme changes are discussed in the capital programme funding section of this report at paragraphs 3.2.19 to 3.2.31 below.

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

3.2.9 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 July 2009.

3.2.10 Annex C shows the position at summary level as at the end of July 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 July 2009
- Planned expenditure to the end of the year
- Forecast outturn for the year
- Forecast slippage to 2010-11

3.2.11 Annex D provides a summarised narrative of project variances at service level.

3.2.12 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.

3.2.13 Actual capital programme expenditure to the end of July 2009 is £3.486m. This represents 13.5% of the latest approved budget of £25.768m, and 13.5% of the forecast outturn figure of £25.884m.

3.2.14 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 July is £1.117m, the latest approved budget is £4.286m and forecast outturn for these schemes is £4.288m.

3.2.15 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.

3.2.16 It is usual at this early stage in the financial year for capital expenditure to be low in relation to budget, as capital schemes naturally take time to get up and running due to the need, for example, for contract tendering and consultation. Furthermore, invoices are not due for payment until goods are received or works are complete, or part complete in the case of staged payments.

3.2.17 The forecast provided by management for the HRA programme is a full spend on the programme. Finance have some concerns with regard to this forecast due to some unresolved issues surrounding the delivery of certain aspects of the programme. If these issues remain unresolved, then there is likely to be significant slippage which has yet to be accurately forecast.

3.2.18 Of the total forecast of £116k at year-end, £120k will be covered through the approval of project variations and appraisals brought to this Cabinet.

### **Capital Programme Funding**

3.2.19 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.

3.2.20 The financing of the programme for 2009-10 is set out at Annex E.

3.2.21 Increases or reductions in overall financing requirements resulting from the appraisals 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>	
Camp Hill MUGA	50,000	-	The Big Lottery
Bus Station – ANPR	30,000	-	Prudential Borrowing
Challenge Fund Round 2 Bid (NBC New Build Scheme)	-	955,259	£477,630 Prudential Borrowing £477,629 HCA
Market Square	40,052	-	£38,052 Section 106 £2k NEL

3.2.22 Funding of £50k has been secured from The Big Lottery for the Camp Hill MUGA project. Therefore this project will require no capital funds from NBC, however the ongoing maintenance and cleaning of the MUGA will be the responsibility of NBC but can be met from existing revenue budgets.

3.2.23 The Bus Station - ANPR project requires a further £30k of additional prudential borrowing in 2009-10. The total additional prudential borrowing requirement in 2009-10 is now £327k.

3.2.24 The Challenge Fund Round 2 (NBC New Build Scheme) project has no financial impact on 2009-10. However, a decision on the prudential borrowing element of this scheme is required before the bid can be submitted to HCA for the remaining 50% of the funding, the deadline for which is October.

3.2.25 There are two reasons for the increased budget for the Market Square project. The classification of NEL funding, between years and between capital and revenue expenditure, has changed a number of times as the project has progressed. Each of these changes are reported to NEL and the latest has resulted in an additional £2k being included in the 2009-10 capital programme. However, it should be noted that there is no change in the overall amount awarded by NEL. The original costs of the project were estimated by the cost consultant, however these have now been revised upwards by the contractor. Therefore the use of section 106 monies is required to fund these additional costs. In approving this variation, agreement is given to use £38k of section 106 monies (references H026 and H096) for the purposes of this project.

- 3.2.26 The One Stop Shop Transformation project is already included in the 2009-10 capital programme; therefore there will be no impact on the financing requirements as a result of this capital appraisal.
- 3.2.27 The value of useable RTB capital receipts received at mid September is £64k. These will be placed in a capital reserve and used in the future to support the HRA programme.
- 3.2.28 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 (23 September Cabinet)	<b>25,768</b>	<b>34,204</b>	<b>8,436</b>
Appraisals brought to this Cabinet (2009-10 starts only)	80	80	
Variations brought to this Cabinet	40	40	-
Rounding		1	1
<b>Latest proposed programme</b>	<b>25,888</b>	<b>34,325</b>	<b>8,437</b>

- 3.2.27 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>Earmarked carry forward to 2010-11</b>			
Budgeted Prudential Borrowing	1,700		
Revenue Reserve		6,580	
Rounding	1		
<b>Total</b>	<b>1,857</b>	<b>6,580</b>	<b>8,437</b>

3.2.28 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.

3.2.29 Grant funding of £31k for the Choice Based Lettings sub-regional scheme remains unallocated pending the development of the scheme.

3.2.30 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.

3.2.31 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 or further approve the inclusion of the capital schemes at paragraph 2.1, 2.2 and 2.3 into the Council's capital programme and to approve the variation to the agreed capital programme set out at paragraph 2.4.

## **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 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 and in the proposed project appraisals and variations brought with this report 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.

- 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 (Cabinet) – Capital Appraisal
- 20<sup>th</sup> May 2009 (Cabinet) – 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

### **5.2 Capital Project Appraisals**

- 2009-10 GF067 – Camp Hill MUGA
- 2009-10 GF068 – Bus Station ANPR
- 2009-10 GF031 One Stop Shop Transformation
- 2010-11 HRA018 – Challenge Fund Round 2 Bid (NBC New Build Scheme)

### **5.3 Capital Project Variations**

- 2009-10 GF068 V03 – Market Square

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