

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	25th June 2009

CAPITAL PROGRAMME PROVISIONAL OUTTURN 2008/09 AND MONITORING 2009/10 ONWARDS

PURPOSE OF REPORT

1. To report the provisional outturn for the capital programme for 2008/09 and to update the programme for 2009/10 onwards.

RECOMMENDATION(S)

2. That the 2008/09 capital programme provisional outturn be noted.
3. That the financing of the programme as indicated in Appendix 1 be approved.
4. That the capital programme for 2009/10 be increased to £9,672,620 to take account of slippage from 2008/09, increased resources and other increases.

EXECUTIVE SUMMARY OF REPORT

5. The provisional outturn at a total cost of £5,235,092 is attached as Appendix 1. This also sets out the financing of the programme, which has achieved a reduction in prudential borrowing in 2008/09 by £1.529 million. This is not a saving over the three years to 2010/11, but slipping borrowing to 2009/10 achieves a revenue budget saving in that financial year.
6. The updates to the budgets for 2009/10 and 2010/11 are also presented in Appendix 1. Further information about the slippage of £3.601 million from 2009/10 is presented in Appendix 2. Information about the other budget increases totalling £1.018 million in 2009/10 is given in Appendix 3. Most of this increase relates to a considerable increase in the Regional Housing Pot capital grant allocated to the Council for 2009/10.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. To give formal approval to the financing of the 2008/09 capital programme.
8. To update the capital programme for 2009/10 to take account of expenditure committed during 2008/09 but not incurred by 31st March 2009.
9. To update the 2009/10 capital programme to take account of additional resources such as Regional Housing Pot Capital grant.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. None.

CORPORATE PRIORITIES

11. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	✓

BACKGROUND

12. Council reduced the capital programme for 2008/09 to a total of £8,582,620 on 27 January 2009. The financing of schemes for the years 2008/09 to 2010/11 was amended so that prudential borrowing would be restricted to the previously approved maximum of £3,624,640.
13. The capital programme for 2009/10 to 2011/12 was approved by Council on 26 February 2009. Estimated expenditure for 2009/10 was £5,053,280, which included the slippage of £1,297,580 expenditure from 2008/09 that had been reported previously.

2008/09 PROVISIONAL OUTTURN

14. The provisional outturn for the 2008/09 capital programme is £5,235,092, which is a reduction of £3,347,528 compared to the budget approved in January 2009. The detailed outturn is presented in Appendix 1.
15. Of the total variance, £3,601,290 is slippage of expenditure to 2009/10. Further information is presented in Appendix 2. The major variances were as follows:
- £1,200,000 - New recycling containers, which were delivered to Chorley residents in April 2009.
 - £481,330 – Chorley Strategic Regional Site. Effect on capital resources is neutral because to be financed with earmarked capital receipt.
 - £370,210 – Astley Park pavilion/pets corner phase, and CCTV. Lottery scheme due to be completed during 2009/10. CCTV contract nearly completed.
 - £365,360 – Improvements to property assets. Schemes will be developed with Liberata.
 - £191,070 – Various ICT projects, including CRM. Due to be completed in 2009/10.
 - £164,800 – Recreation schemes funded by grants and contributions. Effect on capital resources is neutral.
 - £160,500 – Energy Grants. New contractor commenced work towards end of 2008/09.
 - £150,000 – Affordable Housing. Implementation of projects depends on housing association partners.
16. Expenditure on a number of schemes exceeded budget provision, though in several cases this was matched by increased funding from external sources. In particular, increased expenditure in respect of the Astley Park, Common Bank and Leisure Centres schemes was financed by grants and contributions from other funding partners. The expenditure on Buckshaw Village Railway Station was financed using the S106 contribution received for that purpose.

17. Plant and equipment required for the Grounds Maintenance service has now been included in the capital programme at a cost of £74,564, and has been financed by prudential borrowing because this would be cheaper than paying annual lease rentals. Though this has contributed to an increase in borrowing above that included in the budget for 2008/09 to 2010/11, the revenue savings are greater than the increased revenue costs arising from the borrowing.
18. Some expenditure was moved from the revenue budget when it was considered appropriate to charge it to the capital programme instead. This included improvements to various properties and the purchase of ICT equipment. Capitalising the expenditure achieved savings against the revenue budget. However, some expenditure that had been included in the capital programme was charged to the revenue budget instead, because it was not considered appropriate to capitalise it. The effect on the revenue budget was neutral, because earmarked reserves that would have financed capital expenditure were used to finance this revenue expenditure instead.
19. Some capital projects show variances at 2008/09 outturn because they have received an allocation of capitalised salaries, the budget for which was included as Project Design Fees under Business directorate.
20. There was a net shortfall in capital receipts of £17,350, the main reason being that preserved Right To Buy (RTB) receipts from Chorley Community Housing (CCH) fell short of even the reduced estimate. This is a continuing effect of the so-called "credit crunch".
21. Prudential borrowing in 2008/09 has reduced by £1,529,482 to £1,142,898. Most of this relates to slippage to 2009/10, so the reduction is only temporary. However, this delay in borrowing leads to revenue budget savings during 2009/10.

2009/10 CAPITAL PROGRAMME

22. The capital programme for 2009/10 is shown in Appendix 1 as increasing by £4,619,340 to £9,672,620. Of this total £3,601,290 is the slippage of expenditure from 2008/09, which is itemised in Appendix 2. Appendix 3 identifies the reasons for the further increase by £1,018,050 and further details are presented below in respect of the major variances.
23. Of the expenditure identified as slippage, £1,200,000 relates to the purchase of the new recycling containers, which were received by Chorley residents during April 2009 and therefore should be accounted for in 2009/10. The next largest item (£481,330) is in respect of infrastructure work at the Chorley Strategic Regional Site, which is being financed by a capital receipt from the sale of the land, earmarked for that purpose. The effect on the Council's capital resources is neutral, and if the receipt is not spent in full, the balance should become payable to the North West Development Agency, which provided the grant funding for the reclamation of the land being developed.
24. The Council has received a considerable increase in its allocation of Regional Housing Pot (RHP) capital grant. The base estimate for 2009/10 was £311,500, based on the allocation for 2008/10. The actual grant received in 2009/10 is £1,277,000, an increase of £965,500. This represents most of the increase in the 2009/10 programme other than slippage from 2008/09. At present the increased grant has not been allocated to fund specific projects, but the Business directorate budget for 'housing renewal' has been increased by a sum that will be reallocated when proposals have been developed.
25. The 2009/10 programme includes £1,753,140 expenditure on promotion of affordable housing schemes. However, of this total, £600,000 represents a S106 contribution that has not yet been received from the developer. It is by no means guaranteed that the contribution will be received during 2009/10, though that was a reasonable assumption when the programme was prepared. Affordable housing expenditure that is intended to be

financed with the contribution should not be incurred before it is received, so it is possible that any programme would have to be rephrased to reflect any delay in receipt of the resource. Furthermore, an affordable housing programme would require housing association partners to have funding available and to implement their schemes on time, which means that some slippage is likely to occur in any case for reasons beyond the control of the Council

26. Further expenditure on the implementation of the Buckshaw Village Railway Station is not yet included in the programme. As at 1 April 2009, the balance of the S106 contribution received for this purpose was £3.506 million, though additional external grants and contributions will be required in order to complete the project.
27. Officers are working with Liberata to reduce the estimated cost of the Covered Market improvement scheme. The total estimated works cost is £366,200, which is expected to be the maximum payable. Additional works estimated to cost £26,650, in particular those relating to rainwater harvesting, should help to reduce subsequent annual running costs. This work is funded in part from the Climate Change Pot budget. The revenue budget savings from rainwater harvesting are estimated to be £3,000 per year.
28. A consequence of adding additional expenditure to the capital programme in 2008/09 and further increases in 2009/10 is that prudential borrowing is now estimated to exceed the budgeted total by £46,480. However, this is less than the cost of the Grounds Maintenance equipment added to the programme in 2008/09 (£74,564), and the increase in borrowing costs chargeable to revenue is less than the saving in lease rentals, so there is at present a saving to the revenue budget.
29. Avoiding further increases in borrowing is likely to be possible only if all budgeted receipts are achieved and further assets included in the disposal programme are sold during the year. At present the estimate for Preserved RTB receipts from CCH remains at £100,000, though the total achieved during 2008/09 was only £63,275. The total in 2007/08, before the "credit crunch" was £1.144 million.

IMPLICATIONS OF REPORT

30. This report has implications in the following areas and the relevant Corporate Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

Financial implications are indicated in the body of the report.

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael L. Jackson	5490	10 June 2009	Capital Programme Provisional Outturn 2008-09.doc