Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	7th January 2010

CAPITAL PROGRAMME MONITORING 2009/10 TO 2011/12

PURPOSE OF REPORT

1. To update the capital programme for 2009/10 to 2011/12.

RECOMMENDATION(S)

2. That the revised capital programme for 2009/10 presented in Appendix 1 be approved.

3. That the amendments to the provisional capital programme figures for 2010/11, presented in Appendix 1, be noted.

4. That the inclusion of additional restructuring costs in the December 2009 applications for directions to capitalise redundancy and pension strain costs in 2009/10 be noted.

5. That budget holders continue to review their uncommitted 2009/10 budgets in order to identify whether any further expenditure could be rephased to a later financial year.

EXECUTIVE SUMMARY OF REPORT

6. A number of changes to the capital programme for 2009/10 are recommended. In December 2009 the Council applied for permission to capitalise all redundancy payments and pension strain arising from the restructuring of directorates this year. The success of the applications for capitalisation directions will not be known until late January 2010, but it is recommended that the costs be included in the 2009/10 capital programme on the assumption that the applications are approved. The estimated additional cost arising from the corporate services and senior management restructures is £932,880, which takes capitalised restructuring costs to a total of £1,150,000. The application to capitalise the Icelandic investment impairment was £39,000 less than previously estimated, because the figure was recalculated to take account of the latest guidance available at the time. Rephasing of other capital schemes to 2010/11 offsets part of the net increase in expenditure. Increased borrowing of £550,280 is required to finance the 2009/10 programme, mainly as a consequence of adding the capitalised restructuring costs. The cost of this increased borrowing has been taken into account in the net savings included in the draft revenue estimates for 2010/11 onwards. The revenue savings arising from restructuring exceed £600,000 per year. Budget holders will continue to review their projects this year to establish whether expenditure could be rephased to 2010/11 in order to reduce the borrowing required in 2009/10 and the revenue cost in 2010/11. Such rephasing will be reported as soon as project managers confirm which expenditure can be delayed until next year.

7. Other additions to the programme are to be financed with external resources. The estimated phasing of the use of the S106 contribution held by Chorley Council for the development of Buckshaw Village Railway Station by Lancashire County Council and Network Rail is that £80,250 will be spent in 2009/10 and £3,455,550 in 2010/11. A budget for the financing of capital schemes yet to be agreed with Housing and Planning Delivery Grant carried forward from 2008/09 has been added at £51,240. The budget is included in Appendix 1 with the corporate 'match funding pot', to be reallocated to specific projects at a later date. The grant is not 'ring-fenced' and therefore an alternative use would be to finance the existing programme rather than new schemes. A small project for contaminated land site investigations, financed with a DEFRA grant of £9,140, has been added in 2009/10. Chorley Council's estimated share of Lancashire's Performance Reward Grant to finance capital schemes is £158,340 each year from 2009/10 to 2011/12. A £100,000 S106 contribution will finance play facilities at Fairview Farm, Adlington in 2010/11.

8. A number of other virements, rephasing of expenditure and savings are indicated in Appendix 1.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

9. To update the 2009/10 capital programme to add, rephase and vire budgets and to reflect the estimated availability of capital resources.

10. To update the provisional capital programme figures for 2010/11 and 2011/12 to take account of rephasing of expenditure and the resources estimated to be available.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. If the Council had not applied to capitalise redundancy and pension strain costs arising from restructuring, or if the applications are not successful, these would be charged to the revenue budget in 2009/10.

CORPORATE PRIORITIES

12. 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

13. The revised capital programme for 2009/10 was approved at a total of £7,487,400, and the provisional totals for 2010/11 and 2011/12 were £3,660,380 and £2,141,110 respectively. Financing of the 2009/10 programme took account of the rephasing of sales of surplus assets to 2010/11 and the estimated reduction in Preserved Right To Buy income from Chorley Community Housing.

2009/10 CAPITAL PROGRAMME

14. The applications for permission to capitalise redundancy and pension fund costs arising from restructuring of directorates, required to achieve efficiency savings, were increased to include the additional costs relating to the corporate services and senior management

restructures. These were estimated to be £932,880, bringing the capitalised restructuring costs in 2009/10 to £1,150,00 in total. Taking into account the latest guidance available at the time of making the application, the figure for capitalised Icelandic investment impairment was £39,000 less than previously estimated. The result of the capitalisation applications will be known only in January 2010 and there is no guarantee of success. However, the majority of this Council's applications in recent years have been approved. Capitalisation of revenue expenditure in such circumstances is worthwhile when cashable efficiency savings are achieved and the payback period is relatively short. The draft revenue estimates for 2010/11 onwards have been prepared on the assumption that the permission to capitalise the restructuring costs will be granted and take account of savings less associated capital financing costs. The annual revenue savings from this year's restructuring exceed £600,000 from 2010/11 onwards. Rephasing of other capital expenditure to 2010/11 has helped to offset the increase in expenditure, but estimated borrowing in 2009/10 has been increased by £550,280. To reduce the need for financing by borrowing, I recommend that budget holders consider whether further expenditure can be rephased. Additional capital receipts generated from disposal of surplus assets could also be used to finance the capital programme instead of borrowing.

15. Project managers will continue to review their budgets in order to identify whether further expenditure can be rephased to 2010/11. Though this is not yet reflected in the revised estimate for 2009/10 presented in Appendix 1, the budgets that will be reviewed include the Climate Change Pot, Planned Improvements to Fixed Assets, and Duxbury Park Golf Course Improvements, plus some smaller projects. Rephasing of the expenditure and the effect on borrowing will be reported at the earliest opportunity.

16. The estimated phasing of the implementation by Lancashire County Council and Network Rail of the Buckshaw Village Railway Station has been identified. Chorley Council holds a S106 contribution to finance the development of the station, £80,250 of which is estimated to be required in 2009/10 and £3,455,550 in 2010/11. The balance of the cost of the station is to be financed with a grant receivable by LCC.

17. Other additions to the programme include a £51,240 budget for projects yet to be agreed, which would be financed with Housing and Planning Delivery Grant. This grant has been carried forward from 2008/09. It is not 'ring-fenced', and could be used to finance the existing capital programme if suitable new schemes are not identified. DEFRA funding of £9,140 has been achieved to finance a small contaminated land site investigations project. An estimated budget of £158,340 has been included, to finance schemes with Chorley Council's share of Lancashire's Performance Reward Grant. The figure is based on the standard requirement to split the total grant allocation 50/50 between revenue and capital purposes. It is being investigated whether the split can be varied with the co-operation of other councils, so that the share of the grant available to finance revenue expenditure could be increased. In addition, it might be possible to release resources for revenue budget projects by using part of the PRG to finance suitable existing capital schemes, with the agreement of the Chorley Partnership. When further information is available, it will be reported at the earliest opportunity.

18. A number of virements in 2009/10 are recommended. The £39,000 budget for 'investment in assets' should be combined with the larger 'planned improvements' budget, as the two budgets are essentially for the same purpose. From the Invest To Save budget, it is recommended that £31,980 be vired to finance implementation costs in respect of the new internet service provider (ISP) and an improved network link to Astley Hall. Annual revenue budget savings arising are estimated to be £16,000. Of the remaining Invest To Save budget, it is estimated that £100,000 can be rephased to 2010/11 to help avoid further borrowing this year. It would be required for further investment in information technology schemes in 2010/11 and such schemes would generate revenue budget savings.

19. Budget holders have identified a number of other projects that should be rephased. Expenditure of £64,550 in respect of the Thin Client implementation needs to be brought

forward from 2010/11. This is more than offset by the rephasing of £189,550 of the 'server virtualisation' budget to next year. It is estimated that £108,600 of the 'planned improvements' budget can be rephased to 2010/11 to help avoid increasing borrowing in 2009/10.

20. One budget saving has been estimated: £10,000 in respect of the Legal Case Management System.

DRAFT CAPITAL PROGRAMME 2010/11 AND 2011/12

21. The addition of the S106-financed Buckshaw Village Railway Station budget to the 2010/11 capital programme, and the rephasing of expenditure from and to 2009/10, have been discussed above. The only other expenditure additions recommended in 2010/11 are a project for play facilities at Fairview Farm, Adlington, which would be financed with a £100,000 S106 contribution received recently during 2009/10, and a budget of £158,340 for schemes to be financed with Performance Reward Grant, the use of which will be reported when suitable schemes are identified.

22. The only addition to the draft capital programme for 2011/12 is a budget of £158,340 for schemes to be financed with Performance Reward Grant.

23. The budget for Website Development is reduced by £10,000 in both 2010/11 and 2011/12, to match the assumptions included in the draft revenue estimates.

24. In the previous monitoring report (Executive Cabinet 12th November and Council 15th December) I indicated that Regional Housing Pot resources available to the North West for 2010/11 had reduced by 39% compared to 2009/10. Furthermore, the method of allocating grant to authorities was being reviewed so that the grant available in 2010/11 could differ from the provisional figure of £500,000 included in the draft programme. The provisional allocation for 2010/11 is £397,000, which is £103,000 less than estimated. This reduction in housing capital grant has been taken into account in the revised figures for 2010/11. To mitigate the effect of this grant reduction, I recommend the rephasing of the use of part of this year's housing capital grant, so that £721,710 would be used in 2010/11 rather than 2009/10. Housing-related budgets including affordable housing projects need not be reduced in 2009/10, but the expenditure would be financed instead with developers' contributions that previously had been included in the draft programme for 2010/11. The housing capital grant transferred to 2010/11 would be a more flexible resource than the developers' contributions, because it could be used to finance affordable housing, and housing renewal activities such as mandatory Disabled Facilities Grants (DFGs), in accordance with priorities. The draft programme for 2010/11 includes a Government grant of £180,000 to finance DFGs, but the Council has applied for an increased allocation. Even if the allocation is increased, it will be necessary to increase the budget by using RHP grant in order to meet the high level of demand for DFGs.

IMPLICATIONS OF REPORT

25. 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 Jackson	5490	8th December 2009	Capital programme Monitoring 2009-10 – 2011-12 Jan 10.doc