

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Resources)	Special Council	2 nd March 2010

CAPITAL PROGRAMME MONITORING 2009/10 AND PROGRAMME 2010/11 TO 2012/13

PURPOSE OF REPORT

1. To update the Capital Programme for 2009/10 to take account of the rephasing of expenditure to 2010/11 and other budget changes.
2. To update the Capital Programmes for 2010/11 and 2011/12 to take account of expenditure rephasing and other budget changes.
3. To add provisional Capital Programme figures for 2012/13.

RECOMMENDATION(S)

4. That the revised Capital Programme for 2009/10 presented in Appendix B1 be approved.
5. That the revised Capital Programme for 2010/11 presented in Appendix B2 be approved.
6. That the draft Capital Programmes for 2011/12 and 2012/13 be noted.

EXECUTIVE SUMMARY OF REPORT

7. Capital expenditure in 2009/10 is expected to reduce by £1,817,030, from the current estimate of £8,337,080 to the revised estimate of £6,520,050. Of the overall reduction, £1,380,470 is the rephasing of expenditure to 2010/11. In addition, the Government failed to grant permission to capitalise the Icelandic Investment Impairment, so the programme can exclude the estimated sum of £340,000. Other net reductions total £96,560.
8. The Capital Programme for 2010/11 increases by £1,046,070, from £7,594,440 to £8,640,510. Expenditure of £1,380,470 is added, but £275,000 is rephased to 2012/13. Other net reductions total £59,400. Resources available for housing renewal are reallocated to specific projects.
9. The main change identified in respect of 2011/12 is the reduction by £200,000 of housing capital expenditure that would be financed by Regional Housing Pot capital grant. Expenditure on Thin Client hardware (£94,800) can be rephased to 2012/13 and other net reductions total £59,010.
10. The Capital Programme for 2012/13 is introduced for the first time, so that the three-year Capital Programme will cover 2010/11 to 2012/13. Of the total of £1,461,110, expenditure of £369,800 is rephased from 2010/11 and 2011/12. The remainder consists of contractual

commitments and recurring budgets. There is uncertainty about the level of RHP capital grant that would be receivable in 2012/13 so the estimated sum for 2011/12 is repeated.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

11. To update the 2009/10 and 2010/11 Capital Programme to add, rephrase and vire budgets and to reflect the estimated availability of capital resources.
12. To update the provisional Capital Programme for 2011/12 and to introduce draft figures for 2012/13, which consist of contractual commitments, recurring budgets and expenditure rephased from earlier years. This ensures that the Council has a three-year Capital Programme for the purpose of medium-term financial planning.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

13. None.

CORPORATE PRIORITIES

14. 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

15. Council approved the Capital Programme for 2009/10 to 2011/12 on 26th February 2009. The budgets have been monitored regularly throughout the year, and the current estimates referred to in this report are as approved by Council on 26th January 2010.
16. Budget holders were requested to review their uncommitted budgets in order to identify any expenditure that could be rephased to a later financial year, the aim being to reduce the need for financing by borrowing in 2009/10. The programme has been updated to take account of budgets that can be rephased. However, due to a reduction in the VAT Shelter income estimated to be receivable in respect of 2009/10, borrowing has reduced by less than the expenditure rephased to next year. On the other hand, such rephasing of expenditure should avoid any increase in borrowing that might otherwise have resulted from the income rephasing. Overall, the Council should receive the same value of VAT Shelter income, but much of it will be receivable later than previously indicated by Chorley Community Housing (CCH). The revised timing results from delays in CCH's improvements programme in respect of transferred dwellings.
17. The Capital Programme should be updated to include expenditure rephased from 2009/10 to 2010/11 and from 2010/11 and 2011/12 to 2012/13. Other budget increases and reductions are proposed.

CAPITAL PROGRAMME 2009/10

18. The revised estimate for the 2009/10 Capital Programme is presented as Appendix B1. Total expenditure for the year is expected to reduce from £8,337,080 to £6,520,050. The reduction of £1,817,030 is made up as follows:

	£	£	£
Current Estimate 2009/10			8,337,080
Rephasing of expenditure			(1,380,470)
Deleted/reduced budgets			
- Capitalisation of Icelandic Investment Impairment	(340,000)		
- Use of Housing & Planning Delivery Grant to finance existing projects	(51,240)		
- Project Design Fees	(19,870)		
- Cemetery Memorial Safety	(50,000)		
	<u> </u>	(461,110)	
Additional/increased budgets			
- Buckshaw Village Cycle Network	30,580		
- Performance Reward Grant funded schemes	990		
	<u> </u>	31,570	
Expenditure transferred to revenue budget		(7,020)	
Other net reductions in expenditure			(436,560)
Revised Estimate 2009/10			<u><u>6,520,050</u></u>

19. Budget holders have reviewed their projects and have identified that expenditure totalling £1,380,470 can be rephased to 2010/11. The amounts rephased per scheme are shown in Appendix B1.
20. There is also a net reduction in expenditure of £436,560. Most of this (£340,000) is in respect of the Icelandic investment impairment, because permission was not received to capitalise this expenditure. This cost reduction has now been taken into account in the draft revenue budget. The £51,240 budget for new schemes to be financed with Housing and Planning Delivery grant has been deleted on the basis that this resource should be used to finance the existing programme rather than to increase it. The budget for Cemetery Memorial Safety is no longer required, because this issue is being dealt with in a manner that does not require capital expenditure, thereby saving £50,000. The budget for recharged Project Design Fees has been reduced by £19,870 to match the income assumed in revenue budget monitoring. The budget for grants in respect of Village Halls and Community Centres projects is reduced by £4,900 to match minor budget increases required for four other People and Places directorate schemes and the £22,000 uncommitted balance of the budget is rephased to 2010/11. Use of this budget will be reconsidered if there are not appropriate schemes to finance with the rephased balance. Expenditure relating to capital schemes but which cannot be treated as capital expenditure has been transferred to the revenue budget: Swimming Pool Refurbishment £6,570 and Integrated HR/Payroll/Training System £450. One new project has been added, the Buckshaw Village Cycle Network, which will be financed with a S106 contribution and will continue into 2010/11.

21. Performance Reward Grant available to finance capital schemes is due to be slightly higher than previously indicated. Lancashire County Council will distribute the grant in two instalments at the end of 2009/10 and 2010/11, but it is included in the capital programme as being spent over the three years 2009/10 to 2011/12. It is unlikely that this year's budget of £159,330 will be spent by 31st March 2010, as expenditure to date is only £15,000. Our Local Strategic Partnership decides use of the resource. There is a requirement to spend half of the PRG allocation on revenue expenditure and the remainder for capital purposes. However, there is usually greater demand to support revenue projects rather than capital projects and it is being investigated whether use of the grant could be moved from the capital to revenue budget with the co-operation of another Lancashire district. If this proves to be possible, the revenue and capital budgets will be updated at the earliest opportunity.
22. Other capital resources to be received in 2009/10 are now likely to be less than previously estimated. Sales of former Council dwellings continue to be low and therefore the budget for use of Preserved Right To Buy capital receipts should be reduced to reflect this. VAT Shelter income from CCH is likely to be rephased, but the rephasing of capital expenditure to next year mitigates the impact and no additional borrowing is required as a consequence.
23. Prudential borrowing is estimated to reduce by £654,730 in 2009/10 as a result of the rephasing of expenditure to 2010/11 (£295,000) and reductions in budgets (£359,730). The largest budget reduction is the deletion of the capitalised Icelandic investment impairment (£340,000), previously added to the programme on the assumption that the Council would be given permission to finance this cost by borrowing. Such permission was not granted and the updated impairment figure is now reflected in the revenue budget.

CAPITAL PROGRAMME 2010/11

24. The proposed Capital Programme for 2010/11 is presented in Appendix B2 and explanations of changes to previously approved figures are given in Appendix B3. Total expenditure is shown as increasing by £1,046,070, from £7,594,440 to £8,640,510. The main reasons are as follows:

Current Estimate 2010/11			£	7,594,440
Rephasing of expenditure				
- From 2009/10	1,380,470			
- To 2012/13	(275,000)			
				1,105,470
Deleted/reduced budgets				
- Project Management recharge deleted following restructure	(40,000)			
- Improvements to leisure facilities budget reduced because inflation lower than estimated previously	(25,000)			
- HR/Payroll/Training System	(47,750)			
- Cemetery Memorial Safety	(25,000)			
				(137,750)
Additional/increased budgets				
- Buckshaw Village Cycle Network (S106 funded)	77,360			
- Performance Reward Grant funded schemes	990			
				78,350
				1,046,070
Revised Estimate 2010/11				<u><u>8,640,510</u></u>

25. The revised estimate for 2010/11 includes £1,380,470 rephased from 2009/10. The budget for Improvements to Sports Pitches has been rephased to 2012/13. It would rely on the award of further funding by external bodies, but should such funding be secured at an earlier date it may be necessary to review the timing of the expenditure.
26. The budgets for housing-related schemes, as per Executive Cabinet report 18th February 2010, are reallocated to specific projects to reflect priorities. As previously reported, the Regional Housing Pot (RHP) capital grant allocation for 2010/11 is only £397,000 compared to the allocation for 2009/10 of £1,277,000. The financing of expenditure in 2010/11 includes £721,710 RHP grant expected to be carried forward from 2009/10. If S106 contributions receivable from developers for provision of affordable housing are received earlier than 2011/12, the phasing of affordable housing schemes will be reviewed.
27. The revised estimate takes account of £137,750 budget reductions listed in Appendix B3. The only budget increases are financed by external grants and contributions, in respect of the Buckshaw Village Cycle Network (£77,360) and PRG-funded schemes (£990). As discussed above, the phasing of the PRG-funded schemes and the split between capital and revenue budgets will be subject to further review.
28. Prudential borrowing would increase by £289,730 as a result of rephasing of expenditure from 2009/10 (£295,000) less a net reduction in expenditure financed by borrowing (£5,270).

DRAFT CAPITAL PROGRAMME 2011/12

29. The draft Capital programme for 2011/12 is presented in Appendix B2. There is an overall reduction of £353,810, made up as follows:

	£	£	£
Current Estimate 2011/12			2,289,450
Rephasing of expenditure			
- To 2012/13	<u>(94,800)</u>	(94,800)	
Deleted/reduced budgets			
- Project Management recharge deleted following restructure	(40,000)		
- Improvements to leisure facilities budget reduced because inflation lower than estimated previously	(20,000)		
- Estimated reduction in available RHP capital grant	<u>(200,000)</u>	(260,000)	
Additional/increased budgets			
- Performance Reward Grant funded schemes	<u>990</u>	990	
			(353,810)
Revised Estimate 2011/12			<u><u>1,935,640</u></u>

30. It is difficult to estimate the RHP capital grant likely to be available in 2011/12, though a reduction from the allocation for 2010/11 does seem likely. The previous figure of £500,000 was included in the draft programme before the total in the pot was reduced and the distribution methodology was amended. If more funding for Disabled Facilities Grants is achieved, the draft programme will be updated to reflect this. Some of the S106 contributions receivable from developers for provision of affordable housing may be in hand earlier than 2011/12, in which case the phasing of the affordable housing expenditure could be reviewed.
31. Further expenditure on Thin Client hardware may not be required before 2013/14 but budget provision is rephased from 2011/12 to 2012/13 so that the full approved cost of the project is included in the programme.
32. Unless new schemes are added to the 2011/12 programme, the level of recharges from the revenue budget for project design and implementation may be considered too high. This should be reviewed when preparing the detailed 2011/12 revenue estimates.
33. Prudential borrowing would reduce by £154,800 as a result of rephasing of expenditure to 2012/13 (£94,800) and a net reduction in expenditure (£60,000).

DRAFT CAPITAL PROGRAMME 2012/13

34. The draft Capital Programme for 2012/13 is presented in Appendix B2. This year has not been reported previously and the total expenditure of £1,461,110 consists of contractual commitments and expenditure rephased from earlier years. The latter includes the Improvements to Sports Pitches (£275,000) and Thin Client hardware (£94,800).
35. It is difficult to forecast the level of Government financial support for housing-related capital schemes so the draft figures for 2011/12 have been repeated in 2012/13.
36. As in 2011/12, the level of recharges from the revenue budget for project design and implementation may be considered too high unless new schemes are added to the 2012/13 Capital Programme at a later date.
37. Prudential borrowing of £614,800 would be required to finance expenditure rephased from earlier years (£94,000) and the contractual commitments and recurring budgets (£520,000).

CAPITAL RESOURCES

38. The uncertainty about the level of grant support for housing-related capital expenditure is discussed in the sections relating to the 2011/12 and 2012/13 Capital Programmes.
39. Sales of former Council dwellings are currently at a low rate so less than £100,000 Preserved RTB capital receipts are assumed over the three years 2010/11 to 2012/13. This forecast will be monitored closely and changes to the total receivable and phasing of the receipts will be recommended as appropriate.

40. Appendix B4 shows the estimated programme of disposal of surplus land and assets, excluding garage sites earmarked for provision of affordable housing. Capital receipts between 2010/11 and 2012/13 are estimated to potentially total £1,328,000. Only £527,170 capital receipts from the disposal of surplus assets are included in the financing of the Capital Programme for 2010/11 to 2012/13. The total value of the disposal programme exceeds the capital receipts currently included in the financing of the programme by £800,830. If the additional asset disposals are achieved then the capital receipts from these could be used to reduce the level of prudential borrowing below that assumed in the financing of the programme rather than to add new projects to the programme. This would benefit the revenue budget by reducing capital financing costs. However, it may be necessary to retain a proportion of future capital receipts for the financing of capitalised restructuring costs, provided that such restructuring would achieve efficiencies and revenue budget savings.
41. In addition to the surplus assets included in the disposal programme, garages and garage sites have been identified as potential locations for the development of affordable housing. If sold for affordable housing provision, these assets could raise £910,350. However, as the garages generate income credited to the revenue budget, any capital receipts arising from their disposal should to be used to repay borrowing and thereby reduce capital financing costs, to balance the loss of income.
42. Of the £523,150 VAT Shelter income required to finance the 2009/10 Capital Programme, £444,000 is brought forward from 2008/09. New income from CCH of £79,150 would be required in 2009/10 and a further £1,521,650 from 2010/11 to 2012/13. Though this should be achievable, receipt of this income will be monitored closely and any issues that may affect the financing of the programme in future years will be reported whenever appropriate.
43. Appendix B5 presents an analysis of projects that would be financed from S106 and other similar contributions receivable from developers. Further contributions will continue to be received and the proposed use of additional contributions to finance new schemes will be reported as part of the capital programme monitoring process. The use of a total of £221,000 contributions received for the provision and maintenance of play facilities and public open space is not reflected in the budget. It is shown as being carried forward at the end of 2011/12 in the table below, but it is likely that schemes will be added to the programme at an earlier date. Under the policy approved by Executive Cabinet of 3rd December 2009, Parish and Town Councils may submit bids for funding for Play and Recreation projects using relevant contributions from developers.

S106 and Similar Developers' Contributions

	Balance 1/4/09 £'000	2009/10 Receipts £'000	Use £'000	Balance 1/4/10 £'000	2010/11 Receipts £'000	Use £'000	Balance 1/4/11 £'000	2011/12 Receipts £'000	Use £'000	Balance 1/4/11 £'000	Notes
Budgeted use of developers' contributions											
Affordable Housing	738		(738)	0			0	690	(690)	0	(1)
Town Centre Enhancement	0			0	1,025	(1,025)	0			0	(1)
Transport	3,506	108	(91)	3,523	80	(3,603)	0			0	
Play/Recreation Facilities	220	142	(11)	351	182	(312)	221			221	(2)
Total	4,464	250	(840)	3,874	1,287	(4,940)	221	690	(690)	221	

(1) Phasing of future receipts may vary and will depend on the progress of developments.

(2) Further contributions may be receivable during 2010/11 and 2011/12.

44. Prudential borrowing would be required in 2011/12 and 2012/13 to finance the following contractual commitments, recurring and rephased budgets:

	2011/12 £	2012/13 £
Leisure Centres/Swimming Pool Refurbishment	230,000	235,000
Planned Improvements to Fixed Assets	200,000	200,000
Replacement of recycling/litter bins & containers	85,000	85,000
Thin Client/Citrix (started 2007/08)	0	94,800
Contractual, recurring & rephased budgets	515,000	614,800
Preserved RTB Capital Receipts from CCH	(8,690)	0
Prudential Borrowing	506,310	614,800

IMPLICATIONS OF REPORT

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

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

46. Financial implications are indicated in the body of the report.

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	11 th February 2010	Capital Programme Monitoring 2009-10 and Programme 2010-11-2012-23.doc