Chorley
Borough Council

Report of	Meeting	Date
Director of Finance	Executive Cabinet Overview and Scrutiny Committee	3 November 2005 17 November2005

CAPITAL BUDGET 2005/06 - MONITORING

PURPOSE OF REPORT

1. To report forecast expenditure position for the 2005/06 Capital Programme, and to revise the split of the programme into categories.

CORPORATE PRIORITIES

2. The schemes in the Capital Programme contribute to achieving all corporate priorities.

RISK ISSUES

3. The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy		Information	
Reputation		Regulatory/Legal	
Financial	√	Operational	
People		Other	

4. Detailed estimates have not yet been prepared for all schemes. Increases in budget provision may be required when tenders are received or, in respect of land assembly, compensation terms are agreed.

The estimated financing of the programme in 2005/06 takes into account capital receipts from the sale of assets that have not yet been received. Should there be a shortfall of usable receipts, it may be necessary to increase the level of external borrowing to bridge the gap. This would involve increased revenue costs for the General Fund.

BACKGROUND

5. The Capital Programme for 2005/06 was approved at £18,885,370 at Executive Cabinet of 29 September 2005 and was divided into categories according to the stage of approval of the schemes. Since then the Capital Programme Board, together with the budget holders, has reviewed forecast expenditure; and has revised scheme categories.

6. In my previous report I indicated that to finance the full Capital Programme would require more prudential borrowing than the £782,600 allowed for in the original estimate. I estimated that external borrowing during 2005/06 could rise by £1.5 million to £2.28 million. The principal reason for the increased borrowing requirement is a reduction in the level of usable capital receipts. This has resulted from slippage of asset disposals to later years; a significant reduction in the volume of Right To Buy (RTB) Council dwellings sales from the end of 2004 onwards: and deletion from the capital resource estimate of land

sales not expected to materialise in the foreseeable future. A summary of the changes to date is given in the table below.

	£ m
Slippage of asset disposals to later years	0.600
Reduction in unrestricted RTB receipts	0.095
Reduction of land sales from estimate	0.669
Increase in expenditure 29/9/05	0.136
Increased borrowing estimate as at 29/9/05	1.500
Increase in expenditure 3/11/05	0.067
Further reduction in estimated receipts	0.153
Increased borrowing estimate as at 3/11/05	2.500

7. The table shows that the main reason for the additional borrowing required is either the slippage of or reduction in expected receipts. The bulk of the slippage figure of £600k relates to the Yarrow Valley depot and the reduction in land sale is attributable to the expected receipts from the Gillibrand developments where there is still a great deal of uncertainty regarding the sum the Council may receive.

REVISED CAPITAL PROGRAMME 2005/06

8. Following the review of scheme budgets, it is estimated that there will be a further net increase in expenditure of £65,080 during 2005/06. However, it is likely that it will be possible to report reductions in the forecast expenditure outturn at a later date as savings are expected on some schemes; and it may prove possible to meet some overspending from existing resources. In addition, several schemes have not yet started so slippage of expenditure to 2006/07 may occur. A detailed analysis of the forecast increase, with explanations, is presented as Appendix A. Of the total increase, the Head of Property Services will reallocate the Planned Maintenance programme to cover the £13,430 increase required in respect of Ackhurst Lodge.

9. The Head of Property Services has presented a separate report on the Town Hall alterations, in which he indicates that an additional £48,000 would be required for design alterations and upgrades. It is proposed that this increase be met from the resources available for Planned Maintenance. The increased budget requirement is not reflected in the current capital programme but will be taken account of in subsequent monitoring should the Head of Property Services' recommendations be approved.

10. The following table shows in summary the effect of the forecast expenditure increases and movements between categories. The detailed revised programme for 2005/06 is presented as Appendix B.

Capital Programme 2005/06 - Summary

	Category A £	Category B £	Category C £	No Category £	Total 2005/06 £
Programme as at 29 September 2005	6,851,490	8,054,020	2,484,200	1,495,660	18,885,370
Change of Category	2,299,490	(1,945,000)	987,510	(1,342,000)	0
Sub Total	9,150,980	6,109,020	3,471,710	153,660	18,885,370
Other Changes November 2005	52,910	12,170	0	0	65,080
Programme as at 3 November 2005	**9,203,890**	**6,121,190**	**3,471,710**	**153,660**	**18,950,450**

11. Taking account of the increase in Category A schemes to £9.204 million, mainly due to existing schemes being brought forward from other categories, it would no longer be possible to finance the programme without use of prudential borrowing. The increase in Category A Scheme relates predominantly to the inclusion of schemes to refurbish the Council's leisure assets. This has change Category as a result of the new leisure contract being ready to sign and implement. I estimate that £1.409 million borrowing would be required to finance Category A schemes, of which 95% would be in respect of the capital investment required for the Leisure Management contract. A further £1.091 million would be required for Category B and C schemes, if implemented during 2005/06, therefore bringing the total borrowing requirement to £2.5 million. In estimating the impact on the revenue budget of the increased use of borrowing to finance the Capital Programme in 2005/06, I have assumed that the full £2.500 million would be required. Borrowing of £2.500 million in 2005/06 would add £100,000 to the revenue budget for repaying external borrowing in 2006/07, which is approximately £67,000 more than would have been required had borrowing remained at the £0.783 million in the 2005/06 original programme.

12. Should there be slippage of the capital expenditure that is expected to be financed with the Council's own resources, or an increase in the level of capital receipts above the current estimate, the need to borrow – and its impact on revenue - would be reduced. However, it is not anticipated that there will be significant slippage of expenditure on Category A schemes. The Capital Programme Board will investigate whether Category B or C schemes can be slipped to 2006/07, or budget savings made, in order to minimise the increase in the borrowing requirement in 2005/06.

13. An analysis of the usable capital receipts required to finance the 2005/06 Capital Programme is reported in Appendix C. This shows the receipts received to date and the total that must be received in the remainder of the year. In brief, it is necessary to receive a further £1.224 million in capital receipts from asset disposals and RTB sales in the second half of 2005/06. As indicated under risk issues, any shortfall in capital receipts could lead to an increase in borrowing above the £2.500 million currently expected. Should a shortfall be due to a delay in selling assets, when the capital receipts are achieved they would be used to repay borrowing in order to reduce the cost to the revenue budget.

COMMENTS OF THE HEAD OF HUMAN RESOURCES

13. There are no direct human resource implications of the recommendations.

RECOMMENDATIONS

14. That the addition to the 2005/06 Capital Programme of the expenditure totalling £65,080 be approved.

15. That the changes in categories of the Capital Programme schemes be noted.

16. That the Capital Programme Board continues to work with budget holders in order to identify savings to match the expenditure increases.

REASONS FOR RECOMMENDATIONS
(If the recommendations are accepted)

17. Updating the split of the fully approved and budgeted schemes from those still in the pipeline means that the revenue consequences of the Capital Programme can be monitored more accurately.

18. The addition of the forecast expenditure increases to the programme is necessary to take a realistic view of the capital financing situation.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

19. None.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael L. Jackson	5490	20 October 2005	Exec Cabinet Nov 2005.doc