

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Executive Cabinet	17 February 2011

## CAPITAL PROGRAMME MONITORING 2010/11 – 2012/13

### PURPOSE OF REPORT

1. To update the capital programme to take account of expenditure rephased between financial years.
2. To add new projects that are to be financed by external contributions or virement from other existing capital budgets.
3. To increase or reduce other capital budgets for the specific reasons identified in the report.

### RECOMMENDATION(S)

4. That the Council be recommended to approve the revised capital programme for 2010/11 as presented in Appendix 1.
5. That the Council be recommended to note the amendments to the provisional capital programme figures for 2011/12 and 2012/13 as presented in Appendix 1.

### EXECUTIVE SUMMARY OF REPORT

6. The capital programme for 2010/11 to 2012/13 should be reduced from £13,760,420 to £11,583,100 as a result of the changes totalling £2,177,320 identified in Appendix 2. Of this total, resources to finance housing capital schemes are now expected to be £900,000 less than previously estimated due to reductions in grant funding and non-acceptance of a bid for additional resources.
7. There is a small increase in financing by borrowing, to add the previously approved purchase of food waste recycling receptacles to the 2011/12 programme at a cost of £30,000. However, to avoid any unplanned increase in borrowing, it is important that all budgeted resources are received, in particular VAT Shelter income from Chorley Community Housing and capital receipts from the disposal of surplus assets.

### REASONS FOR RECOMMENDATION(S)

#### (If the recommendations are accepted)

8. To update the 2010/11 capital programme to take account of the rephasing of expenditure between financial years; and to add and vire budgets to take account of the estimated availability of capital resources.

9. To update the provisional capital programme figures for 2011/12 and 2012/13 to take account of the rephasing of expenditure and changes to the resources estimated to be available to finance the programme.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. None.

## CORPORATE PRIORITIES

11. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	✓
Safe Respectful Communities		Quality Community Services and Spaces	✓
Vibrant Local Economy	✓	Thriving Town Centre, Local Attractions and Villages	✓
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			✓

## BACKGROUND

12. The revised capital programme for 2010/11 to 2012/13 was approved by Council of 2<sup>nd</sup> November 2010, as follows:

	£
2010/11	10,367,350
2011/12	1,592,660
2012/13	1,800,410
<b>Total 2010/11 – 2012/13</b>	<b><u>13,760,420</u></b>

13. It is proposed to reduce the three-year programme .by a net total of £2,177,320, made up as follows:

	£
Estimated reduction in resources available for housing capital investment 2011/12 – 2012/13	(900,000)
Deletion of Market Street Improvements – to be implemented by ASDA	(1,025,000)
Deletion of element of Buckshaw Railway Station budget due to be financed by LCC – Network Rail to charge LCC directly	(225,000)
Addition of Food Waste Recycling Receptacles	30,000
Deletion of Improvements to Sports Pitches 2012/13 – would have been match funding if external grant funding had been available	(275,000)
Addition of Yarrow Valley Country Park Natural Play Zone – grant funded element	57,000
Transfer of various costs to revenue budget	(10,320)
Addition of Capitalised Pension Fund Costs relating to early retirements	171,000
<b>Total</b>	<b><u>(2,177,320)</u></b>

Further explanation is given below and the analysis of the proposals between virements, rephasing and other changes is presented in Appendix 2.

## **CAPITAL PROGRAMME 2010/11**

14. The Project Design Fees budget for £41,440 from 2010/11 onwards should be transferred from the Head of Economic Development to the Head of Housing to reflect the transfer of the recharge income made in the revenue budget.
15. A budget for a Newbuild Specialist Adapted property should be added to the programme, to be financed from the affordable housing budget at a cost of £67,500. The uncommitted affordable housing budget should be rephased to 2011/12 together with other uncommitted housing budgets, making a total of £1,023,800. Most of this total would be financed with housing capital grant. It is proposed the rephasing of these budgets should be used to mitigate the effect of reduced capital resources for housing investment in 2011/12.
16. The budget for Town Centre Investment should be reduced by £1,025,000 because the Market Street improvements would be implemented by ASDA. This has no effect on net resources, because the S106 contribution that would have financed the expenditure should also be deleted.
17. A contractual arrangement between Lancashire County Council and Network Rail has been established in respect of Buckshaw Village Railway Station, so there is no need for this Council to act as an intermediary as envisaged in October. The budget should be reduced by £225,000, but resources should be reduced by the same amount so that there is no net effect. Of the remaining budget, it is estimated that £3,476,690 should be rephased to 2011/12. LCC would finance expenditure incurred during 2010/11 with 'CIF2' grant, so that this use of the S106 contribution held by this Council would be required in 2011/12 when the project is completed.
18. As approved by Executive Cabinet on 9<sup>th</sup> December 2010, a grant of £50,000 to deal with all dilapidation issues relating to Coppull Leisure Centre should be added to the programme. This could be vired from the budget for planned improvements to assets.
19. Grant funding of £57,000 has been secured to finance a Natural Play Zone in the Yarrow Valley Country Park. Match funding of £23,000 is required and this should be vired from the Eaves Green Play Development budget. The remaining £189,480 balance of that budget should be rephased to 2011/12.
20. The £11,320 for improvements to the Big Wood Reservoir area should be rephased to 2011/12. Additional S106 funding may be available in that year, with which to increase the scope of the improvements.
21. The final phase of the Replacement Benefits System will be implemented during 2011/12, so the £46,500 balance of the budget should be transferred to that year.
22. Various costs should be transferred to the revenue budget together with the resource to finance them. These include Cemetery Development (£6,450), CRM Implementation training (£2,270), and Legal Case Management System training (£1,600).

## **CAPITALISATION OF REVENUE EXPENDITURE**

23. The Council has been allocated a direction to enable capitalisation of pension fund payments incurred during 2010/11. The maximum that could be capitalised is £171,000 and the expenditure must be financed with capital receipts. The application for the capitalisation direction was submitted before the conclusion of restructuring proposals. It is by no means certain that pension strain arising from early retirements in 2010/11 would be

as much as £171,000. At present there are no uncommitted capital receipts in hand with which to finance the expenditure if capitalised. If a potential disposal is not completed by 31<sup>st</sup> March 2011, the expenditure would have to be charged to the revenue budget, though payment could be phased.

### CAPITAL PROGRAMME 2011/12 and 2012/13

24. Resources for housing capital investment in 2011/12 and 2012/13 are expected to be around £900,000 less than previously estimated. This is a combination of a reduction grant funding for housing investment and non-acceptance of the Council's bid for additional resources.
25. In respect of funding for Disabled Facilities Grants (DFGs), the Government has indicated that councils should receive no less than the allocation for 2010/11 (£235,000) and that additional resources would be allocated according to need. It is suggested that the budget should be £250,000 per year but that the budget should be revised once the actual allocation has been confirmed.
26. Of the housing capital grant transferred from 2010/11, it is proposed that £803,520 remain unallocated pending further deliberation. This is shown as 'Housing Renewal' in Appendix 1 and the budget could be used to finance affordable housing or purchase and repair schemes, or other housing capital investment.
27. The new Food Waste Recycling scheme was reported to Executive Cabinet on 11<sup>th</sup> November 2010. As indicated, £30,000 would be required to purchase receptacles in 2011/12. If financed by borrowing, this would result in a £3,000 per year charge to the revenue budget over 10 years.

### IMPLICATIONS OF REPORT

28. 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	

29. Financial implications are set out 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 L. Jackson	5490	27 <sup>th</sup> January 2011	Capital Programme 2010-11-2012-13 Monitoring Report Feb 2011.doc