Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Council	1st March 2011

CAPITAL PROGRAMME MONITORING 2010/11 AND PROGRAMME 2011/12 – 2013/14

PURPOSE OF REPORT

1. To update the Capital Programme for 2010/11 to take account of expenditure rephased to later financial years, virements between projects, and other budget changes.

2. To update the Capital Programmes for 2011/12 and 2012/13 to take account of rephasing of expenditure and other budget changes.

3. To add provisional Capital Programme figures for 2013/14.

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 approve the Capital Programme for 2011/12; and to note the amendments to the provisional Capital Programme for 2012/13, as presented in Appendix 2.

6. That the Council be recommended to note the provisional Capital Programme figures for 2013/14 as presented in Appendix 2.

EXECUTIVE SUMMARY OF REPORT

7. Executive Cabinet of 17th February 2011 recommended that Council approved the revised Capital Programme for 2010/11 and the amendments to the provisional figures for 2011/12 to 2012/13. This report updates the figures already approved by Executive Cabinet and adds provisional budgets for 2013/14 to the programme.

8. The Capital Programme for 2010/11 should be reduced from £10,367,350 to £4,457,240 as a result of the changes totalling £5,780,110 identified in Appendix 1 (total of columns (2) to (4)). Of this total, expenditure of £4,747,790 should be rephased to later financial years (details in column (3)) and budgets should be reduced by a net total of £1,032,320 (as indicated in column (4)).

9. The Capital Programme for 2011/12 should be increased by £4,308,040, of which £4,707,790 is in respect of rephasing of expenditure (as indicated in column (2) of Appendix

3) and there is a net reduction in other budgets of £399,750 (column (3) of Appendix 3). When the 2011/12 figures were reported to Executive Cabinet of 17th February 2011, provision was included for purchase of Food Waste Recycling Receptacles. This budget should be rephased to 2011/12 for the reasons presented in the separate report presented to the same meeting. One new budget should be included in the 2011/12 programme, being £20,250 for the purchase of new Pay and Display Car Park Ticket Machines.

10. The Capital Programme for 2012/13 should be reduced by £685,000. Expenditure rephased from 2010/11 and 2011/12 is £40,000 (column (5) of Appendix 3), and budget reductions total £725,000 (column (6) of Appendix 3).

11. Provisional Capital Programme budgets for 2013/14 should be added. These are the contractual commitments in respect of asset improvements; additional waste and recycling containers; and Disabled Facilities Grants. The proposed budgets total £780,000 and are presented in Appendix 3 (column (9)).

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

12. It is necessary to update the 2010/11 capital programme to take account of the rephasing of expenditure between financial years, as requested by budget holders; and to add and vire budgets to take account of the estimated availability of capital resources.

13. It is also necessary 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.

14. Provisional budgets for 2013/14 should be added to the programme to contribute to medium-term resource planning.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

15. None.

CORPORATE PRIORITIES

16. 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

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

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

18. It is proposed to reduce the three-year programme 2010/11 to 2012/13 by a net total of £2,157,070, 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
Addition of Pay and Display Ticket machines for Car Parks	20,250
Total	**(2,157,070)**

Further explanation is given below and the analysis of the proposals between virements, rephasing and other changes is presented in Appendix 1 in respect of 2010/11 and Appendix 3 in respect of 2011/12 and 2012/13.

CAPITAL PROGRAMME 2010/11

19. The revised programme for 2010/11 is presented in Appendix 1, which gives the split of the changes between virements, rephasing and other changes.

20. 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.

21. 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. (See Head of Housing's budgets in Appendix 3, columns (2) and (5).) 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.

22. 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.

23. 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. As a consequence, 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.

24. As approved by Executive Cabinet on 9th 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 should be vired from the budget for planned improvements to assets.

25. 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. This has no impact on the budget required for the main play area due to be provided at Eaves Green, and better value for money is achieved by using part of the budget to secure external funding to provide a new facility in the country park.

26. 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.

27. 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.

28. 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

29. 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 31st March 2011, the expenditure would have to be charged to the revenue budget, though payment could be phased. Should the asset disposal be achieved by 31st March, any of the capital receipt not required to finance capitalised pension fund costs could be used to reduce the revenue cost of capital investment. Any uncommitted capital receipt balance could be used either to replace the use of borrowing to finance the current capital programme; or to reduce debt previously incurred, as represented by the Capital Financing Requirement.

CAPITAL PROGRAMME 2011/12 and 2012/13

30. The updated figures for the 2011/12 and 2012/13 programmes are presented in Appendix 2 and details of the changes are given in Appendix 3.

31. 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 in grant funding for housing investment and non-acceptance of the Council's bid for additional resources.

32. 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. Details of the allocation for 2011/12 were not available at the time of preparing this report.

33. 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 2 and the budget could be used to finance affordable housing or purchase and repair schemes, or other housing capital investment.

34. The new Food Waste Recycling scheme was reported to Executive Cabinet on 11th November 2010. As indicated, £30,000 would be required to purchase receptacles. An update report was presented to Executive Cabinet of 17th February 2011, in which it was reported that the additional expenditure need not be incurred until 2012/13 so the budget has been rephased. If financed by borrowing, this would result in a £3,000 per year charge to the revenue budget over 10 years, from 2013/14 onwards.

35. One addition to the 2011/12 programme is in respect of new Pay and Display Ticket Machines for car parks, at a cost of £20,250. This is for revenue protection purposes and the expenditure is included on the basis that it would be financed by borrowing, at a revenue budget cost of £2,025 per year from 2012/13 onwards.

36. A draft budget of £275,000 for Improvements to Sports Pitches had been included in the programme for 2012/13 on the basis that it would be spent only if considerable external funding could be secured. Such grant funding is no longer available so the resources earmarked for this purpose could be reallocated to other purposes, in particular debt reduction.

CAPITAL PROGRAMME 2013/14

37. As part of the budget approval process it is usual to add a further year to the capital programme. It is proposed that only regular commitments should be added at this stage, at a total cost of £780,000. Of this total, £530,000 would be financed by borrowing, though this figure could be reduced if further capital receipts from asset disposals could be achieved.

38. Other schemes may be added to the 2013/14 programme at a later date, in particular those funded by external grants of developer contributions.

CAPITAL RECEIPTS AND DEVELOPERS' CONTRIBUTIONS

39. A summary of capital receipts expected from the disposal of surplus assets was presented to Council on 2nd March 2010. Disposals in 2010/11 and 2011/12 were estimated to be £1,328,000, of which £800,830 was in excess of the budgeted use of capital receipts to finance new capital expenditure. In addition, sales of garages and garage sites for the development of affordable housing were estimated to total £910,350. If all sales were achieved, capital receipts of £1,711,180 would have been available to reduce debt, either by replacing new Prudential Borrowing or repaying debt previously incurred.

40. Due to low demand for land, including from housing associations, the asset disposal programme was rephased during 2010/11 and asset holdings will be reviewed again during

2011/12, when valuations could be reconsidered to reflect current demand. No new capital receipts have been assumed in the financing of the proposed 2011/12 to 2013/14 capital programme. However, disposals will be proposed during the next three years and the use of the capital receipts will be recommended in the regular capital programme monitoring reports.

41. Appendix 4 shows the estimated receipt and use of developers' contributions, most of which are S106 contributions. The top table presents a summary of the total estimated to be received and used between 2010/11 and 2013/14. This summary excludes contributions to be used to finance revenue expenditure, such as Play and Recreation Fund grants to other bodies such as parish councils. Use of the Pilling Lane contribution is not included at this stage. The bottom table indicates the specific schemes that will be financed with developers' contributions.

42. Apart from £90,000 in respect of affordable housing, no new contributions are shown as being expected between 2011/12 and 2013/14. However, contributions will continue to be received and the proposed use will be recommended in future capital programme monitoring reports. S106 contributions are expected from the Buckshaw Group 1 and Group 4 North developments over the next few years. A total of £6,115,000 plus index linking is due in instalments as the sites are developed, to provide affordable housing, community facilities, playing fields and public open space, public infrastructure, and public transport improvements. In addition, affordable housing and other facilities would be provided on site by the developers.

DEBT REDUCTION STRATEGY

43. The budget principles for 2011/12 approved by Executive Cabinet of 9th December 2010 included the reduction of debt incurred to finance capital investment and therefore the capital financing charges paid for from the revenue budget. The proposed revenue budget for 2011/12 has been prepared on the basis that uncommitted resources, in particular VAT Shelter Income, would be set aside voluntarily in 2010/11 to reduce debt, represented by the Capital Financing Requirement. The objective is to reduce the Minimum Revenue Provision charged to the revenue budget by £100,000 from 2011/12 onwards. This reduction in MRP can be achieved provided the current tranche of VAT Shelter Income is received from Chorley Community Housing during 2010/11 and 2011/12. It is unlikely that all of the uncommitted VAT Shelter Income would be received by 31st March 2011: the remainder would probably be received during 2011/12. To achieve the maximum reduction of MRP in 2011/12 may require the temporary use of some earmarked revenue reserves to repay debt in 2010/11. Should this prove to be necessary, the earmarked reserves would then be reinstated when the balance of the VAT Shelter Income is received.

44. To continue to reduce debt and the related charges to revenue would require additional resources to be set aside from 2011/12 onwards. Such resources would include capital receipts from the disposal of surplus assets; revenue budget savings; and VAT Shelter Income, if additional sums become due.

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	

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	14th February 2011	Capital Monitoring 2010-11 and Programme 2011-12-2013-14 Mar 2011.doc