Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Executive Cabinet	23 June 2011

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

PURPOSE OF REPORT

1. To present the provisional outturn figures for the 2010/11 Capital Programme, which at this stage are subject to scrutiny by the Council's external auditor.

2. To update the Capital Programmes for financial years 2011/12 to 2013/14 to take account of rephasing of expenditure and other budget changes.

3. To report the receipt and budgeted use of contributions from developers for the period 2010/11 to 2013/14.

RECOMMENDATION(S)

4. That the Council be recommended to approve the financing of the Capital Programme for 2010/11 as presented in Appendix 1.

5. That the Council be recommended to approve the rephasing of capital expenditure from 2010/11 and 2012/13 to the Capital Programme for 2011/12, as presented in column (2) of Appendix 2.

6. That the Council be recommended to approve the increases in the Capital Programme for 2011/12 financed by Government grant and developers' contributions, and other changes, as presented in column (3) of Appendix 2.

EXECUTIVE SUMMARY OF REPORT

7. Council of 1st March 2011 approved revisions to the 2010/11 Capital Programme, to change the current estimate to £4,587,240, as indicated in column (1) of Appendix 1. After taking account of reductions in capital expenditure of £307,112 and rephasing of expenditure of £1,994,937, the provisional outturn for 2010/11 is £2,285,190, as presented in column (5) of Appendix 1.

8. In addition to the £1.995 million expenditure rephased from 2010/11 to 2011/12, the 2011/12 Capital Programme should also be increased by £3,770 brought forward from 2012/13 to reflect the revised phasing of purchases of gazebos for the Flat Iron Market.

9. The Capital Programme for 2011/12 should also be increased by a net total of £362,720, as presented in column (3) of Appendix 2. Of this total, £449,720 is in respect of budgets which could be increased or added to the programme as a result of receiving additional Government grants or developers' contributions. For accounting reasons, the £50,000 budget for dilapidation repairs at Coppull Leisure Centre should be transferred to the revenue

account budget in 2011/12, and revenue financing of the capital programme should be reduced to match, so that the effect on revenue and capital budgets is neutral.

10. The Capital Programme for 2012/13 should be reduced by £3,770, as shown in Column (6) of Appendix 2. This is because the budget provision is required in 2011/12 in order to implement Phase 2 of the Flat Iron Market gazebos project.

11. There are no changes at this stage to the 2013/14 Capital programme.

12. In accordance with the Council's strategy of reducing the debt incurred for financing of capital expenditure in previous years, £0.719 million has been set aside voluntarily in addition to the Minimum Revenue Provision for debt reduction charged to the revenue budget each year. This has been achieved by applying VAT Shelter Income and revenue account savings in 2010/11, in order to reduce the charge to the revenue budget for repaying debt in subsequent years.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

13. It is necessary for Council to approve the financing of the 2010/11 Capital Programme and to approve the rephasing of expenditure between financial years.

14. 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.

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 and the programmes for 2011/12 to 2013/14 was approved by Council on 1st March 2011, as follows:

	£
2010/11	4,587,240
2011/12	5,900,700
2012/13	1,115,410
2013/14	780,000
Total 2010/11 – 2013/14	**12,383,350**

18. It is proposed to increase the programme for financial years 2010/11 to 2013/14 by a net total of £56,510, made up as follows:

	£
Increased budgets funded with Government grant	73,820
Increased budgets funded with developer and other contributions	386,970
Pension Strain arising from restructuring in 2010/11 (not capitalised because no capital receipts available for financing)	(171,000)
Expenditure transferred from revenue account and financed with revenue contribution (accounting reasons)	15,000
Expenditure transferred to revenue account and reduction in recharges to capital programme (see analysis below)	(249,180)
Total	**56,510**

Further explanation is given below and the analysis of the variances between virements, rephasing and other changes is presented in Appendix 1 in respect of 2010/11 and Appendix 2 in respect of 2011/12.

CAPITAL PROGRAMME 2010/11

19. The provisional outturn figures and the recommended financing for 2010/11 are presented in Appendix 1, which gives the split of the changes between virements, rephasing and other changes. Brief explanations for the rephasing of budgets are also presented in Appendix 1.

20. Budget provision for a number of projects has been transferred to match provisional outturn expenditure, as indicated in column (2) of Appendix 1.

21. Column (3) of Appendix 1 identifies £1.995 million expenditure to be rephased to 2011/12. This is net of £0.108 million expenditure brought forward from 2011/12 in respect of Buckshaw Railway Station. The expenditure was financed with the developer contribution held for the purpose so there was no effect on the Council's own capital resources. Lancashire County Council's priority has been to ensure that expenditure incurred on the station project would be financed firstly with the 'CIF2' grant, which had to be spent by 31st March 2011, before drawing on the S106 contribution held by this Council. This has been achieved and implementation is progressing well so that the station would be completed by the autumn.

22. The Unified Intelligent Desktop project, to deal with customer services interactions, is funded with a £285,000 capital grant from the North West Improvement and Efficiency Partnership (NWIEP). The project is a partnership between Chorley, Rossendale and Blackburn with Darwen councils, and the main contractor, Asidua GB Limited. Phasing of the expenditure depends on the requirements of Chorley's partners. Of the expenditure incurred during 2010/11, £47,500 was in respect of the partner councils; and it has been charged to the revenue budget as "Revenue Expenditure Funded From Capital Under Statute", for accounting reasons. Of the rephased budget, £122,500 will be financed with NWIEP grant to be claimed during 2011/12. Further information about the effect on the revenue budget of the project is presented in the report presenting the Provisional Revenue Outturn 2010/11.

23. Prudential borrowing of £0.621 million will also be delayed until 2011/12 because of the rephasing of expenditure. The reduction in the revenue cost of capital financing as a result of this rephasing will be reflected in revenue budget monitoring during 2011/12.

24. Pension strain of £123,786 has been charged to the revenue account in 2010/11 rather than being capitalised. It has been financed with uncommitted VAT Shelter Income. Other employee-related costs arising from the restructuring during 2010/11 have been financed from revenue budget savings.

25. Other changes in 2010/11 are in respect of expenditure transferred between capital and revenue budgets, and reductions in recharges to capital projects from the revenue account. The purchase of a Transit 350 Tipper at £15,000 has been transferred to the capital programme and financed by revenue contribution for accounting reasons. Similarly minor improvements to fixed assets have been transferred to the revenue account. Project design and management fees have been retained in the revenue account rather than being charged to capital because delays to implementation of projects meant that capitalisation could not be justified. Expenditure transferred to the revenue account was made up as follows (figures rounded):

	£	£
Coppull Leisure Centre dilapidations grant		(50,000)
Minor improvements to Fixed Assets		(3,810)
Project design and management fees (external)		
- Town Centre (Flat Iron Market improvements)	(24,390)	
- Leisure Centre Improvements	(45,740)	
- Asset Improvements	(54,750)	
		(124,880)
Project design and management fees (internal)		
- People and Places projects	(15,260)	
- Buckshaw Railway Station	(13,790)	
		(29,050)
Housing recharge – change to financing		(41,440)
Total		**(249,180)**

CAPITAL PROGRAMME 2011/12 and 2012/13

26. The updated figures for the 2011/12 and 2012/13 programmes are presented in Appendix 2. These figures take account of the rephasing of expenditure and changes in the resources available to finance capital projects.

27. Column (2) of Appendix 2 shows the rephasing of £1.995 million expenditure from 2010/11 plus £3,770 brought forward from 2012/13 to enable implementation of Phase 2 of the Flat Iron Market gazebos project. It is also recommended that the £11,160 Town Centre Investment budget, rephased from 2010/11, should be transferred to the Market Improvements budget for purchase of gazebos and associated costs.

28. Additional Performance Reward Grant (£50,720) for financing of capital schemes has been received, which increases the uncommitted total available to £126,220.

29. The Government has allocated additional grant funding of £19,000 for Disabled Facilities Grants in 2011/12 following a bid for increased resources. An extra grant of £4,100 was received at the end of 2010/11.

30. Two projects to be financed with the S106 contribution received in respect of the Pilling Lane development (former Lex site) have been added to the programme: £150,000 for highways improvements, which would be a contribution to a Lancashire County Council scheme; and £230,000 for improvements to Rangletts recreation Ground and Duke Street Field.

31. For accounting reasons, it is proposed that the £50,000 grant for dilapidation repairs to Coppull Leisure Centre should be transferred to the revenue budget and should be financed with VAT Shelter Income so that the effect on the revenue account and the capital budget is neutral.

CAPITAL PROGRAMME 2013/14

32. No changes to the 2013/14 Capital Programme are required at present, though this will continue to be reviewed. The programme would be updated when necessary to reflect changes to estimated resources, in particular Government grants and developers' contributions.

CAPITAL RECEIPTS AND DEVELOPERS' CONTRIBUTIONS

33. No new capital receipts were received by the end of 2010/11 so it was not possible to capitalise pension strain arising from restructuring of directorates. Additional capital receipts should be received during 2011/12 and proposals as to the most effective use of the resource will be made as these sums are received. To maximise the benefit to the revenue budget, new capital receipts should be used to reduce budgeted capital financing by borrowing, or to be set aside to reduce previous borrowing, where possible. However, because VAT Shelter Income was used to finance expenditure charged to the revenue budget during 2010/11, that resource is now expected to be slightly less than required to finance the 2011/12 programme so £31,000 of the new capital receipts would be required to make up the difference. Actual and budgeted use of VAT Shelter Income from 2010/11 to 2012/13 is as follows (figures rounded):

	£	£
Brought forward 1/4/10	397,590	
Received in year	1,586,600	
Available in 2010/11		1,984,190
Applied in 2010/11		
- Capital financing	(693,950)	
- Revenue financing	(111,470)	
- Pension Strain	(123,790)	
- Debt reduction	(707,550)	
		(1,636,760)

Balance carried forward 31/3/11		**347,430**
Receivable 2011/12		524,280
Available in 2011/12		871,710
Applied in 2011/12		
- Capital financing	(704,870)	
- Revenue financing	(50,000)	
		(754,870)
Balance carried forward 31/3/12		**116,840**
Applied in 2012/13		
- Capital financing		(116,840)
Balance carried forward 31/3/13		**0**

34. Appendix 3 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 £380,000 of the Pilling Lane contribution has now been added to the 2011/12 Capital Programme but the remainder is uncommitted. The bottom table indicates the specific schemes that will be financed with developers' contributions.

35. 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

36. The approved revenue budget for 2011/12 was 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 was to reduce the Minimum Revenue Provision (the provision for debt reduction included within Net Financing Transactions) charged to the revenue budget by £100,000 from 2011/12 onwards. The provisional outturn for the revenue account for 2010/11 includes voluntary set aside for debt reduction of £0.719 million, most of which was financed with VAT Shelter Income not committed to financing of the capital programme. In addition, debt was reduced by a further £0.051 million by adjusting the financing of assets that had been financed by borrowing in 2009/10. The budget reduction in Net Financing Transactions in 2011/12 should therefore be achieved and this will be confirmed in subsequent revenue budget monitoring reports following the audit of the 2010/11 accounts.

37. 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

38. 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	2nd June 2011	Capital Programme Provisional Outturn 2010-11 and Monitoring 2011-12-13-14 Jun 2011.doc