

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Leader, Councillor J Wilson)	Executive Cabinet	23 February 2006

CAPITAL PROGRAMME 2006/07 TO 2008/09

PURPOSE OF REPORT

- To present updated figures for the 2005/06 capital programme; and to present the proposed programme for 2006/07 to 2008/09, including a reserve list of schemes.

CORPORATE PRIORITIES

- Implementation of capital projects can help to achieve several corporate priorities. The projects for 2006/07 onwards are categorised according to the corporate priority they relate to.

RISK ISSUES

- 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	

- Detailed estimates have not yet been prepared for all of the schemes in the proposed programme. Revisions to the capital programme may be required when tenders are received or, in respect of land assembly, compensation terms are agreed.

The estimated financing of the capital programme for 2006/07 to 2008/09 takes into account estimated capital receipts from the sale of assets at a prudent level. Should there be a shortfall of usable capital receipts, it may be necessary to increase the level of external borrowing to bridge the gap. Increasing borrowing would involve increased revenue costs for the General Fund but the long-term revenue effect would be reduced if it were repaid as soon as additional capital receipts became available.

BACKGROUND

- Council approved the Capital Programme for 2005/06 on 1 March 2005 at a total estimated cost of £7,641,600. An additional revenue contribution of £150,000 from the Housing Revenue Account to the Housing Investment Programme had been approved at Council of 25 January 2005. The total capital programme for 2005/06 was therefore £7,791,600. During 2005/06 regular monitoring reports have been presented, which have taken account of slippage of expenditure from 2004/05 or to 2006/07, cost increases and virements, and the addition of new projects, in particular those receiving external funding or being financed from earmarked revenue resources. The revised Capital Programme reported to Council on 24 January 2006 totalled £15,749,770.

6. The Financial Strategy approved by Council on 1 March 2005 included a projection of the Capital Programme for the years 2006/07 to 2008/09. This future years programme has also been amended during 2005/06, to take account of changes such as the estimated phasing of the Astley Park lottery-funded project and slippage of expenditure from 2005/06 in respect of approved schemes.
7. The financing of the Capital Programme for the four years 2005/06 to 2008/09 included an estimated borrowing requirement, in compliance with the Prudential Code, of £1,550,700.

CAPITAL MONITORING 2005/06

8. The latest Capital Programme forecast for 2005/06 shows a reduction in total expenditure to £15,202,760. The changes can be summarised as follows:

	£	£
Capital programme as at 24/1/06		15,749,770
Slippage to 2006/07		
- Document Image Processing	(8,000)	
- Astley Park lottery project	(322,280)	
- Telephony	(42,100)	
- PSS Planting Schemes System	(3,500)	
- Traffic Calming	(128,000)	
- Euxton Play Facilities (S106)	(50,780)	
		<hr style="width: 100%; border: 0.5px solid black;"/>
		(554,660)
Other Changes		
- Strategic Regional Site	7,650	
		<hr style="width: 100%; border: 0.5px solid black;"/>
		7,650
Capital programme as at 23/2/06		<hr style="width: 100%; border: 0.5px solid black;"/>15,202,760

Expenditure on the Astley Park project has been re-phased on the advice of the scheme consultants. Most of the work will be completed during 2006/07, so there is no adverse effect on the implementation timetable. Starts to other schemes have been delayed for various reasons included consultation with stakeholders; therefore the relevant project managers have requested slippage of budgets to next year. The expenditure on the Strategic Regional Site at Euxton will be met from the earmarked capital receipt from the sale of the land.

CAPITAL PROGRAMME 2006/07 TO 2008/09

9. The Capital Programme for the next three years, which is classified into corporate priorities, is presented as Appendix 1. The category A and B schemes total £14,659,970. This total includes slippage of expenditure from 2005/06, including the £554,660 identified in this report, the continuation of rolling programmes and schemes that have already been approved, such as the Duxbury Park Golf Course capital investment. The programme provides for HRA capital expenditure in 2007/08 and 2008/09, which would not be required should the housing stock be transferred. Deletion of the HRA capital expenditure after stock transfer would be broadly neutral, as the Major Repairs Allowance would no longer be received. Any restricted HRA capital receipts unapplied at the point of stock transfer would be available for General Fund housing capital expenditure.

10. The financing of this three-year programme is estimated to require prudential borrowing of £2,776,360. This estimated borrowing is £1,225,660 more than the £1,550,700 estimate in the 2005/06 Financial Strategy. The reasons for the increase include the addition to the programme of new schemes to be financed by borrowing, in particular the £604,000 golf course investment, and a reduction in estimated capital receipts. However, of the total £14.660 million capital expenditure, £7.816 million will be financed from external resources such as Government and lottery grants.
11. Due to changes in the procedures for commencing capital projects, some schemes that were previously shown as part of the 2005/06 to 2008/09 Capital Programme have been placed on the separate reserve list. This list, which includes new proposals in addition to those previously included in the future years programme, totals £2,776,720 over three years and is classified according to corporate priorities. The reserve list is presented as Appendix 2 and shows the split by scheme of financing between external resources (£1.110 million) and the amount required from the Council (£1.667 million). Where available, additional information in summary form about these schemes is presented in Appendix 3, if needed there is a link where the detailed outline business cases can be accessed. These are schemes that have followed the agreed practice of submitting an outline business case to the Capital Programme Board. No scheme should receive approval to move from the reserve list until the business case is produced.
12. Several of the reserve list schemes can be approved to proceed without requiring any additional borrowing, but detailed proposals as to what the budgets would be spent on are required. Such schemes include those to be funded from developers' S106 contributions for transport improvements, affordable housing and play/recreational facilities. In addition, grant funding is available from the Regional Housing Pot and for planning-related capital expenditure (Planning Delivery Grant). The potential restrictions on the use of the Housing Capital Grant are not clear, therefore it is suggested that this resource remain on the reserve list until definite guidance is available. The list provides for HRA capital expenditure in 2007/08 and 2008/09, which would not be required should the housing stock be transferred. Deletion of the HRA capital expenditure after stock transfer would be broadly neutral, as the Major Repairs Allowance would no longer be received. Any restricted HRA capital receipts unapplied at the point of stock transfer would be available for General Fund housing capital expenditure.
13. Most of the remaining reserve list schemes would require some additional external borrowing if they were approved to proceed. Prudential borrowing is a legitimate source of capital financing, but the revenue consequences (i.e. interest payment and increased Minimum Revenue Provision) need to be taken account of. The estimated revenue cost in the next three years of financing an extra £100,000 capital expenditure in 2006/07 by borrowing is as follows:

2006/07	2007/08	2008/09
£	£	£
2,250	8,500	8,160

In 2006/07, the only cost is part-year interest on £100,000 borrowing. In 2007/08, there is a requirement to make a Minimum Revenue Provision, as well as the full-year cost of borrowing. In subsequent years, the cost reduced by 4% each year, assuming interest rates are fixed.

PRUDENTIAL CODE FOR CAPITAL FINANCE

14. Following consultation by the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA), the Local Government Act 2003 enacted the Prudential Code for capital finance. The Prudential Code is designed to help authorities manage the new freedoms offered by the removal of restrictions on their borrowing. An authority should be able to borrow as much as it wants provided it can demonstrate that its plans are affordable. This comes down to demonstrating that it can afford the costs associated with the planned borrowing.
15. The system provides an integrated approach to capital investment decision-making, with an authority having to take into account, when setting its Prudential Indicators, the following factors: affordability, its asset management plans, the implications for external borrowing, value for money through options appraisal and its strategic plans. The aim is to bring together revenue and capital resources to meet service delivery objectives.
16. A fundamental principle of affordability is that an authority should make decisions about capital and revenue plans in the context of the levels of Council Tax and HRA Rent. When an authority is considering the affordability of its capital investment decisions, it must take into account all the available resources, both in terms of its capital payments and receipts, and revenue income and expenditure for the forthcoming year and the following two years. The incremental impact of capital investment on Council Tax and HRA rents is determined by taking the difference between the total net budget requirement of the authority or Housing Revenue Account 'with' and 'without' the revenue impact of any new proposed capital payments for the forthcoming and subsequent years, including financing costs and other revenue costs.
17. Long-term borrowing should be incurred only to fund the capital investment decisions of the authority: day-to-day operating costs should not be funded from long-term debt. Net external borrowing must not exceed the Capital Financing Requirement (CFR) otherwise the implication would be that external borrowing is funding the day-to-day operational costs of the authority. It is estimated that this Council will have no long-term external borrowing at 31 March 2006, but that this will rise to £2.731m if only the category A and B schemes are implemented in the following three years. This compares to the estimated CFR of £13.9m as at 31 March 2006.
18. To date, the Council has not used the Prudential Code for some of the reasons it was made available. The Code is designed to encourage innovation, in particular the financing of 'invest to save' schemes, when incurring of capital expenditure results in a revenue saving and a payback. Other Councils have taken advantage of the Code to achieve improvements to assets such as increasing energy efficiency. For this reason a sum of £200,000 has been included in the reserve list to encourage bids for investment in such 'invest to save' schemes.

COMMENTS OF THE HEAD OF HUMAN RESOURCES

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

RECOMMENDATION(S)

20. That Executive Cabinet recommend to Council that the 2005/06 Capital Programme be reduced to £15,202,760.
21. That the Category A and B schemes for 2006/07 to 2008/09, as presented in Appendix 1 at a total of £14,659,970, be recommended for approval by Council.
22. That the schemes on the reserve list in Appendix 2, where an outline business case has been received, be considered by Executive Cabinet and be recommended for approval by Council as appropriate.

REASONS FOR RECOMMENDATION(S) (If the recommendations are accepted)

23. The phasing of expenditure on schemes approved to be implemented during 2005/06 needs to be updated on the advice of external consultants and the Council's project managers.
24. The Capital Programme for 2006/07 to 2008/09 needs to be updated to take account of slippage and other changes to the phasing of schemes, plus schemes added to the programme since the 2005/06 – 2007/08 Financial Strategy was approved on 1 March 2005. Further outline business cases have been received (Appendix 3).
25. Approval of schemes on the reserve list may be necessary to achieve the Council's corporate priorities, but the Council needs to take account of the revenue consequences of those projects requiring financing by borrowing.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

26. None.

GARY HALL
DIRECTOR OF FINANCE

Background Papers			
Document	Date	File	Place of Inspection
Financial Strategy 2005/06 – 2007/08	1/3/05	N/A	Gillibrand Street Council Offices

Report Author	Ext	Date	Doc ID
Michael L. Jackson	5490	13/2/06	CapProg0607-0809

Capital Programme - 2006/07 to 2008/09

Description	2006/07 Revised Estimate £	2007/08 Revised Estimate £	2008/09 Revised Estimate £	Total 2006/07 to 2008/09 £	External Funding £	CBC Funding £
<u>CATEGORY A SCHEMES</u>						
<u>People - Reduce Pockets of Inequality</u>						
Town Hall Disabled Access and Refurbishment	26,000	0	0	26,000		26,000
Leisure Centres DDA Works	139,650	0	0	139,650		139,650
	165,650	0	0	165,650	0	165,650
<u>People - Improved Access to Public Services</u>						
Leisure Centres Capital Investment	1,335,250	200,000	200,000	1,735,250		1,735,250
Extension to Chorley Cemetery (new burial area)	10,000	0	0	10,000		10,000
	1,345,250	200,000	200,000	1,745,250	0	1,745,250
<u>Place - Develop Character & Feel Of Chorley</u>						
Achieving Decent Homes Standard (Council Dwellings)	2,054,000	1,854,000	1,804,000	5,712,000	5,318,670	393,330
Disabled Facilities Grants	300,000	300,000	300,000	900,000	540,000	360,000
Housing Renewal	353,660	200,000	200,000	753,660		753,660
Astley Park Improvements - Construction	1,663,970	643,620	35,340	2,342,930	1,868,810	474,120
	4,371,630	2,997,620	2,339,340	9,708,590	7,727,480	1,981,110
TOTAL CATEGORY A SCHEMES	5,882,530	3,197,620	2,539,340	11,619,490	7,727,480	3,892,010

Schemes		2006/07 Revised Estimate £	2007/08 Revised Estimate £	2008/09 Revised Estimate £	Total 2006/07 to 2008/09 £	External Funding £	CBC Funding £
		43,470	0	0	43,470		43,470
		30,000	0	0	30,000	30,000	0
		50,780	0	0	50,780	50,780	0
		124,250	0	0	124,250	80,780	43,470
		50,000	0	0	50,000		50,000
		7,500	0	0	7,500	7,500	0
		57,500	0	0	57,500	7,500	50,000
		757,300	0	0	757,300		757,300
		92,920	476,230	34,850	604,000		604,000
		2,500	0	0	2,500		2,500
		103,220	103,220	103,220	309,660		309,660
		15,000	15,000	15,000	45,000		45,000
		101,670	0	0	101,670		101,670
		128,000	0	0	128,000		128,000
		1,200,610	594,450	153,070	1,948,130	0	1,948,130

CATEGORY B SCHEMES

People - Getting People Involved in Their Communities

Parks and Play Areas Refurbishment
Chorley Play Facilities (S106 funded)
Euxton Play Facilities (S106 funded)

People - Improved Access to Public Services

External Funding Pot
Adlington Rail Station Improvements (S106 funded)

Place - Develop Character & Feel Of Chorley

Invest in Success - Gillibrand Scheme
Duxbury Park Golf Course capital investment
YVP Extension Flood Alleviation
Regeneration Projects - Design Fees
Groundwork Projects
Elwood Initiative (grants for tree planting & management)
Traffic Calming

Scheme	2006/07 Revised Estimate £	2007/08 Revised Estimate £	2008/09 Revised Estimate £	Total 2006/07 to 2008/09 £	External Funding £	CBC Funding £
IT Support (incl. salary capitalisation)	30,000	30,000	30,000	90,000		90,000
e-Enabling HR systems - Training	30,000	0	0	30,000		30,000
PSS Planting Schemes	3,500	0	0	3,500		3,500
Telephony	42,100	0	0	42,100		42,100
Union Street Offices Heating and Ventilation	25,000	0	0	25,000		25,000
Project Management Support Capitalisation	40,000	40,000	40,000	120,000		120,000
Planned Maintenance of Fixed Assets	200,000	200,000	200,000	600,000		600,000
	370,600	270,000	270,000	910,600	0	910,600
TOTAL CATEGORY B SCHEMES	1,752,960	864,450	423,070	3,040,480	88,280	2,952,200
TOTAL CATEGORY A AND CATEGORY B SCHEMES	7,635,490	4,062,070	2,962,410	14,659,970	7,815,760	6,844,210

Performance - Ensure CBC is a Performing Organisation

IT Support (incl. salary capitalisation)
e-Enabling HR systems - Training
PSS Planting Schemes
Telephony
Union Street Offices Heating and Ventilation
Project Management Support Capitalisation
Planned Maintenance of Fixed Assets

TOTAL CATEGORY B SCHEMES

TOTAL CATEGORY A AND CATEGORY B SCHEMES

Scheme	2006/07 Revised Estimate £	2007/08 Revised Estimate £	2008/09 Revised Estimate £	Total 2006/07 to 2008/09 £	External Funding £	CBC Funding £
Prudential Borrowing	1,611,010	902,670	262,680	2,776,360		2,776,360
Unrestricted Capital Receipts	1,797,760	300,000	600,030	2,697,790		2,697,790
Housing Investment Programme Restricted Capital Receipts	587,990	402,000	146,570	1,136,560		1,136,560
Revenue Budget - Specific Revenue Reserves or Budgets	83,500	0	0	83,500		83,500
Revenue Budget - Housing Revenue Account	150,000	0	0	150,000		150,000
Total CBC Resources	4,230,260	1,604,670	1,009,280	6,844,210	0	6,844,210
Ext. Contributions - Developers	88,280	0	0	88,280	88,280	0
Ext. Contributions - Lottery Bodies	1,347,280	505,400	16,130	1,868,810	1,868,810	0
Government Grants - Disabled Facilities Grants	180,000	180,000	180,000	540,000	540,000	0
Government Grants - Major Repairs Allowance	1,789,670	1,772,000	1,757,000	5,318,670	5,318,670	0
Total External Resources	3,405,230	2,457,400	1,953,130	7,815,760	7,815,760	0
TOTAL CAPITAL RESOURCES - A & B SCHEMES	7,635,490	4,062,070	2,962,410	14,659,970	7,815,760	6,844,210

Financing the Programme - Category A & B Schemes

Prudential Borrowing

Unrestricted Capital Receipts

Housing Investment Programme Restricted Capital Receipts

Revenue Budget - Specific Revenue Reserves or Budgets

Revenue Budget - Housing Revenue Account

Total CBC Resources

Ext. Contributions - Developers

Ext. Contributions - Lottery Bodies

Government Grants - Disabled Facilities Grants

Government Grants - Major Repairs Allowance

Total External Resources

TOTAL CAPITAL RESOURCES - A & B SCHEMES

Capital Programme - 2006/07 to 2008/09

Scheme	2006/07 Revised Estimate £	2007/08 Revised Estimate £	2008/09 Revised Estimate £	Total 2006/07 to 2008/09 £	External Funding £	CBC Funding £
	20,500	100,000	0	120,500	120,500	0
	20,500	100,000	0	120,500	120,500	0
	0	79,720	132,900	212,620	212,620	0
	0	79,720	132,900	212,620	212,620	0
	42,870	67,110	19,630	129,610	129,610	0
	150,000	0	0	150,000		150,000
	50,000	50,000	50,000	150,000		150,000
	242,870	117,110	69,630	429,610	129,610	300,000

RESERVE LIST**Prosperity - Put Chorley at Heart of Regional Economic development**

Transport-related Improvements (S106 funded)

People - Reduce Pockets of Inequality

Provision of Affordable Housing (S106 funded)

People - Getting People Involved in Their Communities

Play/Recreation Facilities (S106 funded)

Community Centre Ecclestone - Capital Grant

Parks and Play Areas Refurbishment

Scheme	2006/07	2007/08	2008/09	Total	External Funding £	CBC Funding £	
	Revised Estimate £	Revised Estimate £	Revised Estimate £	2006/07 to 2008/09 £			
Traffic Calming	50,000	50,000	50,000	150,000		150,000	
Changing Rooms Jubilee Playing Field Adlington	30,000	0	0	30,000		30,000	
Litter/Dog Waste/On-street Recycling Bins	42,940	0	0	42,940	42,940	0	See Appendix 3
DEFRA Waste Performance & Efficiency Grant scheme	0	44,970	0	44,970	44,970	0	
Warden Patrol Vans/Digital CCTV Recorders	13,100	0	0	13,100		13,100	See Appendix 3
Enhanced Recycling Scheme	33,000	0	0	33,000		33,000	See Appendix 3
Kerbside Recycling Schemes	183,000	0	0	183,000		183,000	See Appendix 3
Recycling Bring Site Expansion	20,000	20,000	10,000	50,000		50,000	See Appendix 3
Chapel Street Environmental Enhancement Phase 3	95,000	0	0	95,000		95,000	
Regional Housing Pot Capital Grant funded schemes	493,000	0	0	493,000	493,000	0	
	960,040	114,970	60,000	1,135,010	580,910	554,100	
Performance - Ensure CBC is a Performing Organisation							
Legal Case Management System	31,750	0	0	31,750		31,750	See Appendix 3
Electronic Document & Records Management System	50,920	0	0	50,920		50,920	See Appendix 3
Corporate DIP implementation	30,000	0	0	30,000		30,000	
Capitalised Restructuring Costs	500,000	0	0	500,000		500,000	
Planning Delivery Grant funded schemes	66,310	0	0	66,310	66,310	0	
Invest to Save schemes	200,000	0	0	200,000		200,000	
	878,980	0	0	878,980	66,310	812,670	
TOTAL RESERVE LIST	2,102,390	411,800	262,530	2,776,720	1,109,950	1,666,770	

Appendix 3

Corporate Priority	Project Name	Description	Cost
Place - Develop Character & Feel of Chorley	Warden Patrol Vans and CCTV Recorders	<p>The upgrade of both neighbourhood warden vehicles and the large mobile CCTV van, replacing the video recording technology with digital recording equipment. This will improve the picture quality vital to produce evidence of identity, reduce the amount of storage required for video, up date all the equipment to modern day standards making the systems compatible with the Councils CCTV control room, and generally enable a more responsive and visible service.</p> <p>http://cbc-us-app3:8070/Published/C00000115/M00000237/AI00002386/\$CapProgReptApp3.docA.ps.pdf</p>	£13,100
	Enhanced Recycling Scheme	<p>To procure a full suite of recycling containers for each of the remaining 1,500 households not currently receiving an enhanced recycling scheme, and maximise our income stream through the Lancashire Waste Partnership cost share agreement. Delivering our service promise of extending the enhanced recycling service to all eligible properties.</p> <p>http://cbc-us-app3:8070/Published/C00000115/M00000237/AI00002386/\$CapProgReptApp4.docA.ps.pdf</p>	£33,000
	Kerbside Recycling Schemes	<p>To procure a stock of kerbside recycling containers to meet anticipated household requirements in 2006/7.</p> <ul style="list-style-type: none"> • To replace the lightweight woven sack with a weighted sack for households where the attrition rate for the lightweight sack is high. • To procure an additional twin compartment recycling collection vehicle in order to increase our current recycling collection capacity. An addition vehicle will provide the capacity to collect a further 6 tonnes per collection day which is sufficient to accommodate a participation increase in line with the required growth rates. <p>http://cbc-us-app3:8070/Published/C00000115/M00000237/AI00002386/\$CapProgReptApp5.docA.ps.pdf</p>	£183,000
	Recycling Bring Site Expansion	<p>This project seeks funding to secure land, and undertake groundworks to establish bring sites in a number of key areas in the Borough not currently provided with any bring site facilities. The project also seeks funding to purchase specialist banks with a small footprint to be more easily incorporated into the existing townscape.</p> <p>http://cbc-us-app3:8070/Published/C00000115/M00000237/AI00002386/\$CapProgReptApp6.docA.ps.pdf</p>	£50,000

Appendix 3

Performance - Ensuring CBC is a performing Organisation	Litter/Dog Waste/ Recycling Bins	<ul style="list-style-type: none"> To secure sufficient funding for the purchase and installation of Litter & Dog Waste Bins to ensure provision is maintained at current levels. This amounts to 10 town centre style bins, 50 LBv6 litter bins and 20 dog waste bins. To obtain funding to establish up to 10 pilot combined Litter bins/recycling bins http://cbc-us-app3:8070/Published/C000000115/M000000237/AI00002386/\$CapProgReptApp7.docA.ps.pdf 	£42,940
Performance - Ensuring CBC is a performing Organisation	Legal Case Mgmt System (LCMS)	<p>To procure and implement a LCMS to a level to ensure retention of the Lexcel accreditation, before the next full inspection which is due in September 2006. Other benefits of the project include improved legal services risk management, improved customer service, improved external cost recovery and improved efficiency of the legal services unit. http://cbc-us-app3:8070/Published/C000000115/M000000237/AI00002386/\$CapProgReptApp8.docA.ps.pdf</p>	£31,750
Performance - Ensuring CBC is a performing Organisation	Electronic Document & Records Management System	<ul style="list-style-type: none"> To build an understanding of the need for EDRM systems. To build internal skills in its acquisition, implementation and exploitation. To build an understanding of what constitutes good records management practice. To develop a unit level EDRMS and good records management practice model implementation plan To provide a strong evidence base to support a decision whether to proceed with a wider implementation. http://the-loop/upload/public/Files/25/outline_business_case.pdf 	£50,920