Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	21 June 2012

CAPITAL PROGRAMME PROVISIONAL OUTTURN 2011/12 AND MONITORING 2012/13 – 2014/15

PURPOSE OF REPORT

1. To present the provisional outturn figures for the 2011/12 Capital Programme, which at this stage is 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 use of contributions from developers for the period 2011/12 to 2014/15.

RECOMMENDATION(S)

4. That the Council be recommended to approve the financing of the 2011/12 Capital Programme as presented in Appendix 1.

5. That the Council be recommended to approve the rephasing of capital budgets between 2011/12 and 2012/13, as presented in column (2) of Appendix 2.

6. That the Council be recommended to approve the other amendments to the Capital Programmes for 2012/13 and 2013/14, as presented in columns (3) and (6) of Appendix 2.

EXECUTIVE SUMMARY OF REPORT

7. Council of 28th February 2012 approved amendments to the 2011/12 Capital Programme, which reduced the programme to £5,771,100. The provisional outturn is £4,363,274, which is £1,407,826 less than the revised estimate. Of this variance, £1,414,810 is the net rephasing of budgets between 2011/12 and 2012/13; and £6,984 is a net increase in resources plus minor roundings.

8. Of the rephased budgets total, £592,370 is in respect of Buckshaw Railway Station, which Executive Cabinet had been forewarned about on 23rd February 2012. The budget for Strategic Land Assembly should also be rephased. It was added to the programme only on 28th February 2012, leaving insufficient time to complete land acquisition negotiations before year-end.

9. In 2012/13, it is recommended that the programme should be reduced by £8,430 to reflect a small reduction in resources; and that the £5,000 budget for Performance Management should be transferred to the revenue budget. Column (3) of Appendix 2 reflects the proposed

transfer of rephased project design budgets to the budget for improvements to fixed assets, and the reallocation of housing budgets.

10. It is recommended that two budgets to be financed with developers' contributions totalling £249,620 should be added to the 2012/13 and 2013/14 Capital Programmes, as indicated in columns (3) and (6) of Appendix 2.

11. Appendix 3 presents the actual use of developers' contributions in 2011/12 and the proposed budgeted use from 2012/13 to 2014/15. The balance of uncommitted contributions is indicated to total approximately £391,000.

12. Capital receipts totalling £150,000 were applied as budgeted to reduce debt in 2011/12. This was required to achieve the saving in capital financing costs chargeable to the 2012/13 revenue budget. There are not any usable capital receipts held as at 31st March 2012 and none are budgeted to be received during 2012/13. It is likely that some receipts from asset sales will be obtained, and proposals for their use would be presented in future reports.

Confidential report Please bold as appropriate	Yes	**No**

Key Decision? Please bold as appropriate	**Yes**	No

Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

13. It is necessary for Council to approve the financing of the 2011/12 Capital Programme, and to approve the rephasing of budgets between financial years.

14. It is also necessary to update the current 2012/13 Capital Programme to take account of the rephasing of budgets, changes to resources, and proposed use of uncommitted budgets.

15. Adding a new budget to be financed with developers' contributions to the 2013/14 Capital Programme helps People and Places directorate to plan the implementation of projects and confirms the balance of contributions that is not committed at present.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

16. None

CORPORATE PRIORITIES

17. 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

18. The revised Capital Programme for 2011/12 to 2013/14 totalling £10,310,120 was presented to the Executive Cabinet meeting of 23rd February 2012. When reported to Special Council of 28th February 2012, the total was increased to £17,460,120 by the addition of budgets for Strategic Land Assembly in Chorley Town Centre (£500,000 in 2011/12), and Chorley East Health Centre (£6,650,000 in 2012/13). In addition, provisional budgets for the 2014/15 Capital Programme totalling £836,250 were approved.

19. This report presents provisional outturn variances from the 2011/12 revised estimate of £5,771,100, and identifies the effect of slippage etc. on the 2012/13 to 2014/15 Capital programme total of £12,525,270.

PROVISIONAL OUTTURN 2011/12

20. Subject to audit, the provisional outturn for 2011/12 is £4,363,274, which is £1,407,826 less than the revised estimate. This variance is made up as follows:

	£	£
Rephased to 2012/13		
- Buckshaw Railway Station	(592,370)	
- Strategic Land Assembly	(500,000)	
- Other budgets	(344,120)	
		(1,436,490)
Rephased from 2012/14		21,680
Net increase in resources & roundings		6,984
Total variance 2011/12		**(1,407,826)**

21. The likelihood of slippage in respect of the Buckshaw Railway Station project was discussed in the report of 23rd February 2012. Though the station has been operational since October 2011, Network Rail has not finalised payments to the main contractor. The 2011/12 provisional outturn for the project of £2.763 million is based on Network Rail's estimate of outstanding payments to the contractor, but not all payments had been made by 31st March 2012. In theory, the sum of £592,370 would be available for further improvements to the station in 2012/13, but it should not be committed until the original scheme has been finalised.

22. A budget of £500,000 for Strategic Land Assembly in Chorley Town Centre was added to the 2011/12 programme at Special Council of 28th February. This ensured that the revenue consequences were reflected in the revenue budget for 2012/13. However, a month was

insufficient time to complete negotiations to purchase the land and vacant properties on the corner of Market Street and Gillibrand Street, so the budget should be rephased to 2012/13.

23. Appendix 1 identifies the rephasing of other budgets to 2012/13, which total £344,120. In addition, £21,680 budget provision has been brought forward from 2012/13, to cover overspending on a small number of budgets in 2011/12. In general, the overspending arose because too much budget provision had been rephased to 2012/13 in previous reports.

24. The final variation of £6,984 takes account of roundings and a net increase in resources. Additional grants and contributions totalling £10,075 were received to finance Disabled Facilities Grants, but proceeds from the sale of scrap market stalls were £3,070 less than anticipated.

25. Column (3) of Appendix 1 shows the reallocation of budgets for ICT salaries, project design and asset improvements to specific schemes.

REVISED ESTIMATE 2012/13

26. The Capital Programme for 2012/13 should be increased from £10,866,240 to £12,371,040 to take account of the £1,414,810 net rephasing of projects from 2011/12; the addition of the Adlington Play Facilities scheme (£103,420 financed by developer contribution); the transfer of the remaining £5,000 of the Performance Management budget to revenue; and an £8,430 estimated reduction in resources. The reduction relates mainly to capital receipts not yet achieved. Once receipts from disposal of surplus assets have been received, the programme could be increased again, or the receipts could be used to reduce financing by borrowing.

27. The changes to individual budgets are presented in Appendix 2.

28. It is recommended that VAT Shelter Income (revenue financing) that had been earmarked to finance project design fees in 2011/12 should be used to finance improvements to the Council's fixed assets now that the resource has been carried forward to 2012/13. Details of the specific projects to be implemented in 2012/13 will be reported at a later date. It is not certain that all improvements recommended by Liberata could be included in the capital programme. Any improvements that did not qualify as capital expenditure would have to be charged to the revenue account budget, but the capital budget and use of revenue financing would be reduced to match to ensure that the impact would be neutral.

29. When the 2012/13 Capital Programme was approved on 28th February 2012, the uncommitted Housing Renewal budget totalling £657,610 was rephased from 2011/12, pending further consideration of its use and phasing. The budget has been reduced by £5,600 to £652,010 because of overspending in 2011/12. The Head of Housing has recommended use of £52,780 in 2012/13 for Home Repair Grants, which is slightly less than actual expenditure in 2011/12 of £57,409. It is also recommended that £4,000 of the Housing Renewal budget should be used to provide a safe play area at Cotswold House. After adding £5,280 slippage from 2011/12, the Energy Efficiency Grants budget would be more than is estimated as necessary, so it is recommended that £5,000 be added back into the uncommitted Housing Renewal total.

30. The uncommitted Housing Renewal total for 2012/13 would be £600,230 if these proposals are approved. Though this resource is included in the 2012/13 programme, it is unlikely that it would all be spent this year. Apart from Disabled Facilities Grants funded with Government grant, estimated to continue at £269,000 per year, there are no other Housing

Renewal budgets in the 2013/14 and 2014/15 programmes. Rephasing of the uncommitted Housing Renewal budget from 2012/13 to these future years would be one option to address the issue, without resorting to prudential borrowing to finance housing expenditure such as grants.

31. In a report on this agenda proposing changes to the Council's Disabled Facilities Grants policy, the Director of Partnerships, Planning and Policy indicates that use of most of the uncommitted Housing Renewal budget would be required to top up the current DFG budgets for 2012/13 to 2014/15. If the changes are approved, the impact on the budget would be reflected in the next capital programme monitoring report.

32. Budget provision of £592,370 in respect of Buckshaw Railway Station has been rephased from 2011/12. The expenditure charged to 2011/12 included an estimated figure to finalise the contract, based on information from Network Rail and Lancashire County Council. The 2012/13 budget would be financed with two sums (£562,370 and £30,000) received from developers, and would be applied to benefit Buckshaw Village in accordance with the agreements with the developers.

33. Budget provision for improving the access road to Duxbury Park Golf Course has been carried forward from 2011/12. However it is unlikely that the scheme would proceed until additional external funding has been secured. Negotiations are in progress and it is intended that the tendering process should begin in July.

REVISED ESTIMATE 2013/14

34. The revised Capital Programme for 2013/14 would be £968,980 after the addition of a scheme to be financed from developers' S106 contributions.

35. Developers' S106 contributions for Play and Recreation facilities and Public Open Space enhancements totalling £146,200 have been received, but these may be restricted to use in specific vicinities rather than Borough-wide use. This budget would be allocated to projects when they are closer to implementation, generally after sites have been identified and relevant parties consulted.

CAPITAL PROGRAMME 2014/15

36. There are no changes to the Capital Programme for 2014/15 at this stage.

DEVELOPERS' CONTRIBUTIONS

37. Actual use of developer's contributions in 2011/12 and budgeted use from 2012/13 to 2014/15 is shown in Appendix 3.

38. At present, only £27,000 uncommitted Borough-wide S106 contributions are available for play and recreation schemes, which could include making contributions to projects implemented by other organisations. However, it is likely that contributions would continue to be received throughout the year, and the total available for allocation to projects would be updated in further monitoring reports.

39. Approximately £364,000 of the contribution received for purposes including highway improvements, community safety and recreation facilities in the vicinity of the former Lex site on Pilling Lane is uncommitted at present.

40. Further contributions are receivable as development of Buckshaw Group 1 and Group 4 North proceeds. Affordable housing and other facilities would be provided on site by the

developers, but the Council would receive contributions to provide affordable housing, community facilities, playing fields and public open space, public infrastructure, and public transport improvements.

DEBT REDUCTION STRATEGY

41. The report to Executive Cabinet of 23rd February indicated that the revenue budget strategy for 2012/13 required debt reduction of £400,000 in 2011/12, of which £250,000 would be from revenue budget savings and £150,000 from capital programme resources. Debt was reduced as budgeted in 2011/12, but the use of £150,000 capital receipts is not reflected in Appendix 1 showing the financing of the capital programme.

42. The budgeted and actual use of capital receipts in 2011/12 and 2012/13 is as follows:

	Budget £	Actual or Revised £	Variance £
2011/12			
Balance 1/4/11	40,730	40,731	1
Receipts in year	180,770	172,328	(8,442)
Total available	221,500	213,059	(8,441)
Capital financing	(53,270)	(63,059)	(9,789)
Debt reduction	(150,000)	(150,000)	0
Total applied	(203,270)	(213,059)	(9,789)
2012/13			
Balance 1/4/12	18,230	0	(18,230)
Receipts in year	0	0	0
Total available	18,230	0	(18,230)
Capital financing	(18,230)	0	18,230
Total applied	(18,230)	0	18,230
Balance 31/3/13	0	0	0

Capital receipts obtained in 2011/12 were slightly lower than expected. The 2012/13 programme has been reduced to match, rather than increasing borrowing to make up for the reduced resource. It is anticipated that further capital receipts would be achieved during 2012/13. Such capital receipts could be used for further debt reduction or to reduce budgeted borrowing, in order to produce revenue budget savings, or to finance additional capital expenditure.

IMPLICATIONS OF REPORT

43. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

44. Financial implications are set out in the body of the report.

COMMENTS OF THE MONITORING OFFICER

45. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	24th May 2012	Capital Programme Outturn 2011-12 & Monitoring 2012-13 – 2014-15 Jun 2012.doc