

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	22 November 2012

CAPITAL PROGRAMME MONITORING 2012/13 – 2014/15

PURPOSE OF REPORT

1. To update the Capital Programmes for financial years 2012/13 to 2014/15 to take account of proposed budget changes and the rephasing of expenditure to 2013/14.
2. To report the budgeted receipt and use of contributions from developers for the period 2012/13 to 2014/15.

RECOMMENDATION(S)

3. That the Council be recommended to approve the proposed amendments to the Capital Programmes for 2012/13, 2013/14 and 2014/15, as presented in columns (3), (7) and (10) of Appendix 1.
4. That the Council be recommended to approve the rephasing of capital budgets between 2012/13 and 2013/14, as presented in columns (2) and (6) of Appendix 1.

EXECUTIVE SUMMARY OF REPORT

5. Council of 25th September 2012 approved the increase in the 2012/13 to 2014/15 Capital Programme from £14,176,270 to £14,322,860. The £146,590 increase was in respect of schemes in 2013/14 to be funded with contributions from developers: affordable housing - £53,700; and play, recreation and public open space projects - £92,890. In addition, £57,440 of the Housing Renewal budget was allocated to Disabled Facilities Grants in 2012/13; and £201,730 of that budget was rephased to 2013/14 and the same amount to 2014/15 to fund DFGs. Rephasing of £90,000 of the affordable housing budget was required because the contribution to finance it had not yet been received.
6. It is now recommended that the programme should be increased by a further £72,030 to £14,394,890. It is recommended that the budget for additional and replacement refuse and recycling bins should be increased by £78,000. The Housing Renewal budget should be increased by £3,170 to "recycle" a repaid grant. Repairs and minor improvements totalling £9,140 should be moved to the revenue budget.
7. The acquisition of 98 - 102 Market Street and adjacent land on Gillibrand Street has been completed under budget. The saving of £23,890 should be transferred to the Planned Improvements to Assets budget towards the cost of developing the site.
8. Agreement has not yet been reached to construct the Chorley East Health Centre, so it is recommended that budget provision should be rephased to 2013/14 because of the reduced possibility of completing the project during 2012/13. The effect on the revenue budget is

neutral, because capital financing costs in 2013/14 would have been recovered from the NHS via the rent of the health centre.

9. In order to improve fire doors at Cotswold House, it is recommended that £13,480 should be transferred from the uncommitted Housing Renewal budget. The council's partner for the long-term empty homes scheme has been unable to secure additional funding, so the budgeted contribution can be added back to the affordable housing budget pending allocation to specific projects.
10. Streetscene projects rephased to 2013/14 total £55,020. The projects would be financed with external contributions already received.
11. Appendix 2 presents the budgeted use of developers' contributions from 2012/13 to 2014/15. The balance of uncommitted contributions is indicated to total approximately £422,000.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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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)

12. The 2012/13 to 2014/15 Capital Programme should be increased to include budget provision for refuse and recycling bins that reflects increased costs and meets demand for new and replacement bins.
13. A home repair grant is repayable, and the usual practice is to top up the Housing Renewal budget with the repaid grant. The cash has not yet been received so expenditure should not be committed until it is.
14. Two small sums should be transferred to the revenue budget to cover minor repairs to the Town Hall (£2,030); and minor improvements to the Covered Market (£7,110). These relate to existing capital projects, but this particular expenditure should not be capitalised.
15. The likelihood of completing the Chorley East Health Centre during 2012/13 has reduced because agreement has not yet been reached with the NHS. Three small Streetscene schemes cannot be completed over the winter so budget provision should be rephased.
16. Improvements to fire doors at Cotswold House are required on health and safety grounds.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

17. None

CORPORATE PRIORITIES

18. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

19. The revised Capital Programme for 2012/13 to 2014/15 totalling £14,322,860 was presented to the Council meeting of 25th September 2012. The increase of £146,590 reflected the proposed use of additional developers' contributions in 2013/13. £53,700 would finance affordable housing schemes; and play, recreation and public open space projects to the value of £92,890 would be added to the programme.
20. One contribution for affordable housing had not been received during 2012/13, so £90,000 of the budget was rephased to 2013/14.
21. Much of the uncommitted Housing Renewal budget was reallocated and rephased to finance additional Disabled Facilities Grants: £57,440 in 2012/13; and £201,730 in each of 2013/14 and 2014/15.

REVISED ESTIMATE 2012/13

22. The Capital Programme for 2012/13 should be reduced from £11,877,580 to £5,184,590. The changes to individual budgets are presented in Appendix 1.
23. Most of the £6,692,990 proposed reduction is in respect of the rephasing of the £6,650,000 Chorley East Health Centre budget to 2013/14. Agreement has not yet been reached with the NHS to commence the project, so there is little likelihood of it being completed in this financial year. The project would be financed by prudential borrowing, and the capital financing charges would be recharged to the NHS via the rent. The effect on the revenue budget of rephasing the capital expenditure is therefore neutral. Three small Streetscene schemes totalling £55,020 should also be rephased to 2013/14 because it would not be possible to implement them over the winter months.
24. Budgets for other schemes should increase by £12,030. This net increase consists of an £18,000 increase in the budget for new and replacement refuse and recycling bins, funded by revenue contribution; an increase of £3,170 in the Housing Renewal budget, to be financed with a repaid grant; less the transfer to the revenue budget of £9,140 in respect of minor repairs and improvements. The latter would be matched by a reduction in revenue financing of the capital programme, so that the effect on the revenue budget would be neutral.

25. Improvements to assets such as offices and leisure facilities sometimes include repairs and minor improvements which should not be capitalised. Should it be necessary to transfer further costs to the revenue budget, this would be reported as soon as the relevant expenditure was identified. Provided that the transferred expenditure was matched by a reduction in the financing of the capital programme from the revenue budget, there would be no impact on the revenue account. In a similar way, revenue expenditure is monitored to check whether any costs should be transferred to the capital programme. Any such costs would be matched by revenue financing.
26. The acquisition of the strategic site at 98 - 102 Market Street and the adjacent Gillibrand Street land has been completed within the approved budget. The saving of £23,890 should be transferred to the Planning Improvement to Assets budget pending confirmation of a scheme for developing the site.
27. Improvements to fire doors at Cotswold House are required on health and safety grounds; and the £13,480 cost could be met from the uncommitted Housing Renewal budget. The £25,000 budgeted contribution to a project to bring long-term empty homes back into use is not required in 2012/13, because our partner cannot proceed with the project. The budget would be added back to the affordable housing total, pending proposals as to its use for other projects.
28. The budget for new and replacement refuse and recycling bins would increase by £21,930 in total, of which £18,000 be funded by virement from the waste and recycling services revenue budget, and £3,930 from play and recreation fund projects. The latter virement would use council resources, not S106 contributions. The increase in the budget is necessary because bins provided in earlier years are wearing out, and because of the growth in households in the borough each year. The increased budget should enable a stock of bins to be held to avoid the risk of running out before the new financial year.
29. Network Rail has moved closer to finalising payments for Buckshaw Parkway Station, which would be financed with the S106 contribution held by this council. It now looks more likely that the 2012/13 budget for the project should be available to provide enhancements to the station, but expenditure should not be committed until the construction contract is finalised. This could mean that some budget provision would have to be rephased to 2013/14 later in the year if improvements could not be implemented during 2012/13.
30. The tendering process for the Duxbury Park Golf Course access road started later than previously reported. The process has now started and the effect on the budget will be reported as soon as possible. The budget of £80,620 would be the council's contribution to the cost. The total cost of the work would be more than this, but a contribution from a third party is being negotiated. When the cost of the contract is confirmed, the budget would be grossed up and the third party contribution introduced as a source of financing.

CAPITAL PROGRAMME 2013/14

31. The revised Capital Programme for 2013/14 would be £8,142,320 after rephasing the Chorley East Health Centre £6,650,000 budget; rephasing small Streetscene schemes costing £55,020; and increasing the bins budget by £30,000 for the reasons explained above.

CAPITAL PROGRAMME 2014/15

32. The revised Capital Programme for 2014/15 would be £1,067,980 after increasing the bins budget by £30,000 for the reasons explained above. When the programme for 2015/16 is added to the three-year Capital Programme at the Council meeting on 28th February 2013, the bins budget should be £115,000 rather than the current base budget of £85,000.

FINANCING OF CAPITAL PROGRAMME

34. There is a proposed increase of £60,000 in Prudential Borrowing to finance capital expenditure from 2012/13 to 2014/15. This is in respect of the purchase of new and replacement refuse and recycling bins. The bins have an estimated useful life of ten years, so the increased cost to the revenue budget (Minimum Revenue Provision) would be £3,000 per year (plus interest) for each £30,000 funded by borrowing.
35. During the period 2012/13 to 2014/14, the Council will replace leased vehicles and plant used by the People and Places directorate in providing its services. Budget provision for leasing of vehicles is included in the revenue account budget. It may prove more cost-effective for the Council to purchase vehicles and plant outright, if the capital financing costs (provision to repay debt and interest payments) would be less than the leasing or contract hire charges. The cost of vehicles and plant replaced to date is £18,300, which is the same as reported to Executive Cabinet in August. Vehicles and plant that would be replaced in the next few months include grass-cutters, a tractor, and large and small sweepers. Any proposed increase in borrowing to finance purchases would be reported later in the year only if revenue budget savings would be achieved.
36. At present the financing of the programme does not include use of any capital receipts from the sale of surplus assets or repayment of loans and grants. It is likely that receipts would be achieved between 2012/13 and 2014/15, though none have been received so far this year. These could be used to reduce financing of the programme by borrowing or to reduce existing debt; or to increase the programme without increasing borrowing.

DEVELOPERS' CONTRIBUTIONS

37. The budgeted use of developers' contributions from 2012/13 to 2014/15 is shown in Appendix 2. Receipt and use of additional contributions for affordable housing and play/recreation facilities is reflected in this appendix.
38. At present, only £58,000 uncommitted Borough-wide S106 contributions are available for play and recreation schemes, which could include making contributions to projects implemented by other organisations. This total includes one contribution for £22,000 which has not yet been paid, so it is shown as being received during 2013/14. Use of the contribution should not be committed until received, so the total available at present is £36,000.
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. Part of this contribution would be required to provide additional play facilities at Rangleys Recreation Ground, subject to the proposed scheme receiving planning permission.
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. The timing and certainty of receiving these S106 Contributions could be affected by the current economic climate and the impact on the housing market.

41. The Government has recently published the Growth and Infrastructure Bill 2012/13. One purpose of the Bill is to unlock stalled housing sites by allowing for affordable housing in S106 agreements to be reconsidered where the agreements are “economically unrealistic”, particularly those negotiated at the height of the housing boom. The intention of the Bill is to deliver more housing, but the potential impact on affordable housing delivered on-site or off-site through S106 agreements is unclear at present.

IMPLICATIONS OF REPORT

42. 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

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

COMMENTS OF THE MONITORING OFFICER

44. 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	19 th October 2012	Capital Programme Monitoring 2012-13 – 2014-15 Nov 2012.doc