Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources, Councillor A. Cullens)	Executive Cabinet	26 June 2008

CAPITAL PROGRAMME PROVISIONAL OUTTURN 2007/08 AND MONITORING 2008/09 ONWARDS

PURPOSE OF REPORT

1. To report the provisional outturn for the Capital Programme for 2007/08, which is subject to audit.

2. To provide a progress update for the Capital Programme for 2008/09 onwards, including a review of the availability of capital resources required for the financing of the programme.

RECOMMENDATION(S)

3. That the provisional outturn for the 2007/08 Capital Programme, which totals £6,473,979, be noted.

4. That the financing of the 2007/08 Capital programme as set out in Appendix 1 to this report be approved.

5. That the net slippage of capital expenditure from 2007/08 be added to the Capital Programme for 2008/09.

6. That the revised Capital Programme for 2008/09, as set out in Appendix 3 at a total of £10,034,550, be approved.

EXECUTIVE SUMMARY OF REPORT

7. During 2007/08 the Executive Cabinet has received regular monitoring reports estimating the outturn for the Capital Programme. The previous report presented to the Executive Cabinet of 27 March 2008 updated the programme to a total of £7,292,970. This final monitoring report for 2007/08 indicates a net reduction in capital expenditure of £818,991, giving a provisional outturn of £6,473,979.

8. The variance at outturn is made up of an increase in expenditure of £390,407 less slippage of committed expenditure to 2008/09. The largest expenditure increases are £198,882 in respect of Buckshaw Village Railway Station, which is financed by a S106 contribution; and £152,315 in respect of the capitalisation of restructuring costs, the purpose of which is to generate savings in the revenue budget in subsequent financial years. Of the slippage, over half is in respect of just one budget, a contribution towards the cost of the Eaves Green Link Road (financed by the sale of the Council's developable land in the area). The County Council have now provided an invoice for this contribution so that payment should be made early in 2008/09. All other expenditure variances are presented in Appendix 1 and 2.

9. The proposed financing of the 2007/08 Capital Programme does not require any borrowing, which gives a revenue saving in 2008/09 that will be taken account of in revenue budget monitoring. Additional borrowing will be required in 2008/09 because of the slippage of expenditure from 2007/08, though the aim would be to keep total borrowing for the four years 2007/08 to 2010/11 within the total previously approved. However, there are reasons to consider whether there may be a shortfall of capital receipts during 2008/09 compared to the budgeted total, particularly in respect of 'Preserved Right To Buy' income from Chorley Community Housing. The availability of capital resources should be reviewed in detail and the implications of any shortfall on the financing of the Capital Programme be taken into account.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

10. The slippage to 2008/09 represents expenditure that was committed during 2007/08 but which was not incurred by 31st March 2008 for various reasons. It is necessary to increase the 2008/09 programme by this sum to enable the completion of the projects.

11. The 2008/09 programme should also be adjusted to take account of slippage of currently uncommitted budgets to the following year, the transfer to revenue of some budgets, and deletion of other budgets pending confirmation that they are required.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

12. The Capital Programme for 2007/08 could have been financed in part by incurring the budgeted 'prudential borrowing' of £1.190m. However, slipping the use of borrowing to a later year gives a revenue budget saving in 2008/09.

CORPORATE PRIORITIES

13. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region	√	Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	√
Involving people in their communities	√	Ensure Chorley Borough Council is a performing organization	√

BACKGROUND

14. The previous Capital Programme monitoring report presented to Executive Cabinet of 27 March 2008 took account of information provided by project managers in order to estimate the outturn for 2007/08. Though there is a large net underspend of £818,991, much of this total is in respect of just three budgets, discussed in more detail below.

15. The figures presented in this report are provisional and are subject to external audit. It is not expected that these figures will changes significantly as a result of the audit.

CAPITAL PROGRAMME PROVISIONAL OUTTURN 2007/08

16. Attached at Appendix 1 is a detailed analysis of the provisional outturn for 2007/08 compared to the revised budget. This appendix also presents the proposed financing of the 2007/08 Capital Programme and identifies the slippage of expenditure to 2008/09 and

other expenditure variances. These other changes at outturn are analysed in detail in Appendix 2.

17. Of the slippage to 2008/09, over half is in respect of just one budget, the final contribution to the County Council's cost of constructing the Eaves Green Link Road. Chorley Council will now make the payment early in 2008/09, having received recently an invoice from County. This contribution has been enabled by the sale of the Council's land at Eaves Green jointly with English Partnerships during 2007/08, the capital receipt having been earmarked for this purpose.

18. Offsetting the slippage was a net increase in expenditure on other schemes of £390,407. Most of this was in respect of just two budgets. The largest variance relates to the Buckshaw Village Railway Station, which was £198,882 more than forecast. As this is financed with a S106 contribution specifically for this purpose there is no impact on the Council's own capital resources. The expenditure is being incurred by Network Rail on behalf of the Council and as a consequence it is difficult to estimate the phasing of the costs.

19. Expenditure on capitalised restructuring costs has also increased by £152,315. This relates to redundancy costs and pension fund contributions, which can be capitalised with the permission of the Secretary of State. By capitalising the expenditure, an increase in costs to the revenue budget is thereby avoided.

20. The proposed financing of the Capital Programme avoids the use of borrowing in 2007/08, which gives a revenue budget saving in 2008/09 that will be taken into account in monitoring of that budget. This has been achieved by a combination of the slippage of expenditure to 2008/09 and a change to the phasing of the use of other capital resources, in particular Housing Capital Grant.

CAPITAL PROGRAMME MONITORING 2008/09 ONWARDS

21. Attached at Appendix 3 is an updated Capital Programme for 2008/09 to 20010/11. The first column – Current Estimate 2008/09 – is the Original estimate for 2008/09 plus the slippage from 2007/08 that was reported to Executive Cabinet of 27 March 2008. It is recommended that the additional slippage from 2007/08 identified at outturn is added to the 2008/09 budget.

22. In addition to the slippage, a number of other changes to the programme have been identified after discussions with project managers. These are as follows:

- Town Centre Investment - £31,690 and £10,000 to be included in the revenue budget instead of the capital programme. Though much of the expenditure should be of long-term benefit to Chorley, it does not meet the statutory definition of capital expenditure. There are no resource implications for either revenue or capital budgets. Slippage of £200,000 capital expenditure from 2008/09 to 2009/10 is also required.

- Affordable Housing – slippage of £28,500 to 2009/10. The phasing of the other affordable housing budgets should be reviewed and proposals reported back at a later date.

- Investment in Council Assets – slippage of £50,000 to 2009/10.

- Business directorate projects – deletion of Cotswold House Refurbishment (£3.2m) pending alternative proposals being developed. Deletion of the eDevelopment project pending confirmation of whether further payments to the contractor of required.

- Neighbourhoods directorate projects – deletion of Safer Stronger Communities budget of £20,070, which is incorporated in the revenue budget instead. Merger of various refuse/recycling/litter budgets for bins/boxes etc. and reduction by £10,160 to match increase in revenue budget.

- The likely phasing of the remaining expenditure on the Buckshaw Village Railway Station is not yet known and will be added to the programme at a later date. The effect on resources should be neutral when it is added, as the expenditure is financed from S106 resources received for this purpose.

23. Though these changes help the resource position, there are reasons to review the availability of resources and to consider whether budgeted capital receipts can be achieved. In particular, though 'Preserved Right to Buy' receipts from CCH were on target during 2007/08, circumstances have changed. The original estimate for 2008/09 required a total of £1m, which should have been achievable had sales continued at the same rate as last year. However, this is beginning to look less likely, firstly because of the effect of the so-called 'credit crunch', which may mean that CCH's tenants find it harder to get mortgages to purchase their properties; and secondly because tenants may prefer to wait for improvements to their properties to be completed before buying them. The likelihood is that capital receipts from this source will be considerably lower than in 2007/08.

24. Should resources fall short of the estimated values, any shortfall could be met by increased borrowing, but this is undesirable because of the impact on the revenue budget. The alternative would be to reduce or rephase budgeted capital expenditure and to increase other capital resources, where the Council has the ability to do this. Working with Liberata Property Services, the availability of capital receipts from the disposal of surplus or low-income earning assets should be considered. Members may wish to consider whether any existing capital schemes should be financed with the uncommitted Local Authority Business Growth Incentive Scheme Grant in hand at 31 March 2008, which is about £0.357m. Project managers should consider to review the phasing of their schemes, in case any expenditure can be slipped to later years.

IMPLICATIONS OF REPORT

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

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

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There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	6th June 2008	Capital Outturn 07-08 Monitoring 08-09.