

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources, Councillor A Cullens)	Overview and Scrutiny Committee Executive Cabinet	29 September 2008 2 October 2008

CAPITAL PROGRAMME MONITORING 2008/09 ONWARDS

PURPOSE OF REPORT

1. To report proposed changes to the 2008/09 capital programme and to review the availability of capital resources required for the financing of the programme.

RECOMMENDATION(S)

2. That the revised Capital Programme for 2008/09, as set out in Appendix 1 at a total cost of £9,227,320, be approved.

EXECUTIVE SUMMARY OF REPORT

3. It is proposed that the 2008/09 capital programme be reduced by £970,270, made up of £949,400 slippage to 2009/10 and other reductions of £20,870. These other changes include a net increase of £45,800 in respect of the Covered Market, financed by revenue contribution (LABGI grant); an increase in the externally-financed Clayton Brook Play Area budget of £13,740; and the deletion of the £80,410 Astley Park Woodland Management Project, which will be included in the revenue budget instead. Further information about the slippage and other budget changes is presented in Appendix 2.
4. By slipping expenditure that would have been financed by borrowing and by using the VAT Shelter income expected this year to finance capital expenditure, the projected unbudgeted borrowing of £724,490 has been eliminated in 2008/09.
5. However, it is likely that the downturn in Preserved RTB receipts will continue for the foreseeable future. I suggest reducing the estimated receipts to £100,000 per year for 2009/10 and 2010/11, which contributes to projected unbudgeted borrowing over the current three-year programme of £1,074,210.
6. In order to avoid incurring such unbudgeted borrowing in this period, expenditure would have to slip to 2011/12 or later; or capital expenditure budgets would have to be reduced; or additional income to finance the programme, such as capital receipts, would have to be identified. I suggest that budget holders continue to review their budgets with a view to identifying whether savings or slippage to later years are achievable, and that this be reported at the earliest opportunity. Alternatively the programme may need to be reduced in future years and this will need to be considered as part of the 2009/10 budget cycle.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. To update the 2008/09 capital programme to take account of slippage to 2009/10 identified by project managers; and to adjust the budgets for the Covered Market, Clayton Brook Play Area and Astley Park Woodland Management Project.
8. To indicate the likely effect of external economic factors on the availability of capital resources, in particular leading to a potential increase in the level of borrowing required to finance the three-year capital programme for 2008/09 to 2010/11 unless corrective action is taken.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None.

CORPORATE PRIORITIES

10. 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

11. The Capital Programme for 2008/09 was updated to a total of £10,197,590 at Executive Cabinet 14 August 2008. This report proposes that the programme be reduced by £970,270, taking account of slippage to 2009/10 and other budget adjustments. The detailed programme is presented as Appendix 1; and further information about slippage and the other budget changes is included in Appendix 2.

SLIPPAGE TO 2009/10

12. Project managers have identified slippage of expenditure in respect of the following schemes:

- Affordable Housing £599,400
- Climate Change Pot £60,000
- Matched Funding Pot £100,000
- Integrated HR System £50,000
- Duxbury Golf Course £30,000
- Astley Park HLF Scheme £50,000
- Village Hall Grants £60,000

The slippage of the Affordable Housing budget relates to the development of Council-owned surplus sites. It is intended that a number of parcels would be developed over a five to seven year period and that contributions would be required to the schemes. No schemes are close to fruition in 2008/09 hence the slippage of the budget to next year. It is by no means certain that the full budget would be required in 2009/10 so it may be subject to further rephasing when specific developments are proposed.

13. This slippage of £949,400 is expected to enable borrowing to be reduced by £536,460 in 2008/09. However, unless additional capital resources become available next year, borrowing will increase by the same amount in 2009/10.

OTHER CHANGES

14. Now that a detailed design of the Covered Market improvements has been prepared, a budget increase of £75,800 is required, of which £30,000 could be vired from the 'planned maintenance' budget. The balance of £45,800 could be financed by use of LABGI grant, which is shown as revenue financing in Appendix 1.
15. As discussed in the 14 August 2008 report, a further externally-financed sum of £13,740 has been awarded to the Clayton Brook Play Area project. It is likely that some of the total budget of £96,780 will slip to next year, but the effect on the borrowing requirement will be neutral. Phasing of the expenditure will be confirmed in a later report.
16. The Astley Park Woodland Management Project budget of £80,410 in 2008/09 and £30,000 in 2009/10 may not meet the statutory definition of capital expenditure and inclusion in the revenue budget may be more appropriate. I suggest that the revenue budget provision be reviewed at the first opportunity and that the expenditure be financed by a share of VAT Shelter income. There may be other capital budgets which in whole or in part should be moved to the revenue budget. This will be discussed with project managers and budget adjustments proposed at the next opportunity.
17. Not yet reflected in the programme are the likely increase in cost of recycling bins required for the new refuse contract and an annual provision for replacement bins. In addition, it is likely that the total cost of statutory redundancy payments and associated pension fund contributions arising from restructuring of directorates during 2008/09 will exceed the DCLG's 'affordability benchmark'. This should mean that we could submit applications for permission to capitalise such expenditure, the total being likely to be in the region of £500,000. Approval is by no means automatic and will not be given until January 2009 in any case. If the capital programme is increased to include such capitalised revenue expenditure, it will be on the basis that it generates both immediate and continuing revenue budget savings.

CHANGES TO FINANCING OF PROGRAMME

18. The main change in 2008/09 is the proposed use of VAT Shelter income to finance capital expenditure. This income arises from the contract between Chorley Council and Chorley Community Housing (CCH) in respect of the transfer of Council dwellings in March 2007. The level of income depends on the rate at which CCH carry out improvements to the dwellings, so there is a degree of risk involved in budgeting to use income not yet received.
19. At present there is no reason to expect the current level of Preserved RTB receipts from CCH to pick up in 2009/10 and 2010/11. I suggest reducing the estimated total each year to the same figure as 2008/09, which is £100,000. The effect of this is to increase projected unbudgeted borrowing in 2009/10 and 2010/11 to £1,074,210. This borrowing could be avoided if use of other resources, such as further VAT Shelter income, LABGI grant or capital receipts, could be increased; or expenditure was reduced or slipped to 2011/12 or later.

IMPLICATIONS OF REPORT

20. 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	

GARY HALL
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There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael L. Jackson	5490	16 September 2008	Capital Programme Monitoring Oct 2008.doc