

# REPORT TO COUNCIL

REPORT OF: CORPORATE HEAD FINANCE AND RESOURCES

REPORT NO.: CHFR21

DATE: 26 OCTOBER 2006

<b>TITLE:</b>	REVIEW OF CAPITAL PROGRAMME
<b>FORWARD PLAN ITEM:</b>	Yes
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	14 July 2006
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Budget Policy Framework

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	Cllr T Bryant, Resources and Assets Portfolio Holder	
<b>CORPORATE PRIORITY:</b>	Effective Use of Resources	
<b>CRIME AND DISORDER IMPLICATIONS:</b>	None	
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>		
<b>INITIAL EQUALITY IMPACT ASSESSMENT</b>	<p>Carried out and appended to report?</p> <p style="text-align: center;">Not Applicable</p>	<p>Full impact assessment required?</p> <p style="text-align: center;">No</p>
<b>BACKGROUND PAPERS:</b>		

## **1. INTRODUCTION**

The Council approved its capital programme for 2006/7 to 2008/9 at the budget setting meeting in March 2006. It is important that the Capital programme is reviewed on a regular basis to ensure it remains fit for purpose and is able to reflect any revisions to the programme required as a result of progress towards delivery of the approved programme.

This report represents the first review of the Capital programme during 2006/2007. The preparation of service plans and budget preparation for the financial year 2007/8 onwards will necessitate a further review at the time of setting the budget in February 2007.

Report CHFR20 was presented to Cabinet at its meeting on 9 October 2006 and the following recommendation was approved:

- 1.1. recommend to Council the approval of the revised capital programme as attached at appendix A.
- 1.2. Note the comments of the s151 officer regarding the proposed temporary use of Useable Housing Capital Receipts to finance the 2006/7 capital programme.
- 1.3. Note that the s151 officer will determine the actual financing of the capital programme when closing the accounts for 2006/7 when full details of the delivery of the programme and available financing options are known.
- 1.4. Note that the s151 officer will consider the longer term impact of capital financing in conjunction with the Capital and Treasury Management advisors as part of the preparation of budgets for 2007/8 and provide further advice to the Council in the Budget Report for 2007/8.

## **2. RECOMMENDATION**

It is recommended by Cabinet that Council approve the revised capital programme attached at Appendix A.

## **3. DETAILS OF REPORT**

The revised Capital programme is attached at appendix A. The projected outturn for 2006/2007 is £14.094m, of this £7.108m relates to the Housing Revenue Account, £0.430m relates to Disabled Facilities Grants and £6.556m relates to other services i.e. the General Fund.

Whilst the revised programme shows details for 2007/8 and 2008/9 the focus of this report is to draw members attention to the delivery of the programme within the current financial year (2006/7).

### HRA Capital Programme

Report no. CHFR10 to the Constitution and Accounts Committee on 29<sup>th</sup> June, reported that the spend on the HRA capital programme for 2005/6 was £4.356m

compared to an original estimate of £7.676m. The programme for 2006/7 has been reviewed to take account of the outturn position together with current officer and contractor capacity available to deliver the 2006/7 capital programme. As a result the projected outturn for the Housing Revenue Account is now revised to £7.108m which is £2.091m more than originally approved. The attached programme makes provision for improvement to non-traditional dwellings, re-roofing and re-wiring of Council stock in line with the HRA Business plan. It is proposed that all housing capital expenditure will be financed from the Major Repairs Reserve.

#### General Fund Capital Programme

With regard to the General Fund Capital Programme an additional £80,000 has been provided for in 2006/2007 for Disabled Facilities Grants this reflects the continued demand for DFGs and the fact that Government Office East Midlands have recently contacted officers to identify the opportunity to submit an application for additional Specified Capital Grant within the current financial year. An application has been submitted and the outcome is awaited and the programme has been amended to reflect this. The specified capital grant received will fund equivalent to 60% of the additional expenditure. Members will be updated on the outcome of the application in due course.

In addition, the outturn for the remainder of the General Fund programme has been revised to reflect the outturn position for 2005/6 as reported to Constitution and Accounts Committee in report CHFR10, together with up to date information relating to the delivery of the current years Capital Programme. As a result the revised programme for 2006/7 is now £6.556m a total of £1.684m lower than originally approved. The main changes are summarised below:

- Grant - Aire Road Flats- this scheme did not receive Approved Development Funding from the Regional Housing Board and therefore a revised scheme is now being worked up as reported to Cabinet on the 12<sup>th</sup> June (report TSE4). As a result, there will be no spend within the current financial year and once the new scheme has been fully worked up a further report will be provided to Cabinet for consideration.
- Demolition at East Street, Grantham - this provision relates to slippage from 2005/2006
- Car Parking Wharf Road Stamford - the remediation scheme will be unable to proceed in 2006/2007 as the work has to be undertaken when the temperate conditions are appropriate, therefore it is anticipated that the work will need to be delayed until the spring. A provision of £50k has been included in 2006/2007 to finance further investigative work required. An indicative budget provision of £500k has been included in 2007/2008, this will be reviewed as part of the service planning and budget preparation work for 2007/8.
- Car Parking - Multi-storey Welham Street Grantham - the commencement of this scheme was later than originally anticipated. The budget has been re-profiled to reflect the revised contract period.

- Access to Services - the modernisation programme will now extend into 2007/2008.
- Wheelie Bin procurement - the phased rollout of wheelie bins will result in expenditure being spread over 2006/7 and 2007/8.
- Provision for existing assets - the original budget of £500k has now been allocated over specific schemes. This leaves an unallocated sum of £292k in 2006/2007.
- Health and Social Care Community Innovation Centre - Minute 148 of Cabinet 3<sup>rd</sup> April 2006 awarded a grant of £50k and a provision for a loan of £200k for the proposed Innovation Centre to be based at Grantham Hospital, to be vired from the provision of existing assets contained within the Council's 2006/7 capital programme . However, the Chief Executive has received communication from the project sponsor identifying that the remaining funding has not yet been put in place. Therefore the scheme will not progress in the current financially year and as a result it is recommended that the scheme is not included in the current capital programme.
- Financial Ledger modules - The programme has been amended to include phase 2 of the implementation of the financial ledger system to install additional modules for the CEDAR system to provide robust planning and monitoring functionality and the procurement of the IDEA marketplace connector. This has been vired from the Modernisation programme within the Capital Programme.

#### S151 Comments regarding the financing of the revised capital programme

The Council has a number of financing options available to finance capital investment, these being:

- Borrowing
- Sale of fixed assets (capital receipts)
- Direct Revenue financing
- Capital grants and contributions
- Major Repairs Reserve (for HRA investment)

The original budget report anticipated the financing of the 2006/7 capital programme to includes a capital receipt of £2.7m. However this receipt will no longer be received in 2006/07 and so it is proposed to utilise an element of the accumulated housing capital receipts that are held in the Useable Capital Receipts Reserve. In addition, following the closure of accounts for 2005/6 the level of resources available as at 31 March 2006 has been confirmed as follows:

- |                                    |         |
|------------------------------------|---------|
| • Capital Reserve                  | £5.057m |
| • Useable Capital Receipts Reserve | £3.353m |

The capital receipts reserve comprises the usable element from the sale of housing receipts. The Council's current financing policy is that housing receipts fund housing investment only.

In financing the General Fund programme for 2006/2007, Direct Revenue Financing of £5.057m is required and budgeted for. This will fully utilise the General Fund Capital Reserve.

Financing of the General Fund Capital Programme in 2006/2007 and beyond will present a challenge for the Council. With the Capital Reserve fully utilised and with no significant receipts, other than those identified in 2007/2008, there will be an increase in the Council's underlying need to borrow. Increasing the underlying need to borrow will impact on the General fund resulting in an increase in the statutory minimum revenue provision and the interest charged on the debt which would also need to be serviced.

Taking account of the reduced level of anticipated capital receipts in the current financial year, there will be a short to medium term financial capacity issue, however the Capital Receipt from the sale of surplus land of £2.7m is anticipated in 2007/2008.

It is proposed that in the current financial year this shortfall of financial capacity is financed from housing capital receipts (held in the Useable Capital Receipts reserve, referred to above) to provide an internal financing option rather than borrowing from external sources. The impact of this would be that whilst additional external loan costs will not be incurred there will be a some loss of interest earnings on cash balances. It is proposed that this approach would be a short-term measure taken whilst the Council in conjunction with its Capital and Treasury Management advisors considers the longer term financing issues.

Once the General Fund capital receipts are realised in 2007/08 then housing receipts within the Useable Capital Receipts Reserve would then be available for Housing purposes. Housing investment can comprise of either investment in the Council's Housing stock within the HRA or support for the provision of Affordable Housing through Registered Social Landlord partners or support for Disabled Facilities Grants, the last two being Housing General Fund expenditure.

The purpose of the foregoing funding option is to help members create the financial capacity to deliver the capital programme and also note the responsibility of the s151 officer to identify the best funding option for the Council whilst avoiding the cost of external borrowing.

#### **4 COMMENTS OF MONITORING OFFICER**

As part of the budget framework policy, the capital programme must be settled by Full Council.

#### **5 SUMMARY**

This report has provided members with an update on the progress of the delivery of the Capital Programme for 2006/7 and has also identified for approval some

amendments to the programme to take account of the outturn position for 2005/6 and the current officer and contractor capacity to deliver the programme by the end of the financial year.

## **6. CONTACT OFFICER**

**Sally Marshall**  
**Corporate Head Finance and Resources**