

REPORT TO COUNCIL

REPORT OF: CORPORATE HEAD FINANCE AND RESOURCES

REPORT NO.: CHFR71

DATE: 6th September 2007

TITLE:	REVIEW OF CAPITAL PROGRAMME 2007/08
FORWARD PLAN ITEM:	Yes
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	In Forward Plan published on 16.07.07.
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Budget Policy Framework

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	Cllr M Spencer-Gregson	
CORPORATE PRIORITY:	Effective Use of Resources	
CRIME AND DISORDER IMPLICATIONS:	None	
FREEDOM OF INFORMATION ACT IMPLICATIONS:	This report is publicly available on the Council's web site www.southkesteven.gov.uk via the local democracy link	
INITIAL EQUALITY IMPACT ASSESSMENT	Carried out and appended to report? Not Applicable	Full impact assessment required? No
BACKGROUND PAPERS:	Relevant local government finance legislation	

1. INTRODUCTION

The Council approved the capital programme for 2007/08 to 2009/10 at the budget setting meeting on 7 March 2007. A review was made at the beginning of April 2007 to reflect additional funding received from central government. 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 a full review of the Capital Programme for 2007/08 in light of the outturn position for 2006/07. The preparation of service plans and budgets for the financial year 2008/09 onwards will necessitate a further review of the programme at the time of setting the budget.

2. RECOMMENDATIONS

It is recommended that Council:

- 2.1. Approve the revised capital programme as attached at appendix A – C.
- 2.2. Note the comments of the s151 officer has provided as an indicative proposal for financing the capital programme. The actual financing of the capital programme will be finalised as part of the accounts closure process for 2007/08 when full details of the delivery of the programme and available financing options are known.
- 2.3. 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 2008/09 and provide further advice to the Council in the Budget Report for 2008/09.

3. DETAILS OF REPORT

The revised Capital programme is attached at appendix A – C. The projected outturn for 2007/08 is £13.230m, of this £6.996m relates to the Housing Revenue Account, £6.234m relates to other services in the General Fund.

Whilst the revised programme shows details for 2008/09 and 2009/10 the focus of this report is to draw members attention to the delivery of the programme within the current financial year (2007/08).

HRA Capital Programme

Report no. CHFR62 Revenue and Capital Outturn 2006/07 to the Audit and Governance Committee on 28th June 2007 reported that the HRA capital programme for 2006/07 showed an outturn of £4.930m compared to a revised base of £7.432m.

The programme for 2007/08 has been reviewed to take account of the outturn position (to include programme slippage from 2006/07) together with current officer and contractor capacity available to deliver the 2007/08 capital programme. As a result the projected outturn for the housing capital programme is now revised to £6.996m which is £0.976m more than the budget originally approved.

Significant changes here include:

- Upgrading Sheltered Housing Scheme, reduction in value of the work by £50k
- Increase in re-wiring, re-roofing and communal doors expenditure to take into consideration slippage in the 2006/07 capital programme, for works which will now be completed in 2007/08.
- Reduction in Kitchen and Bathroom refurbishments to take into consideration the availability of contractors, from £3.451m to £3.000m.
- Central Heating and Heating and Ventilation have been combined into one group of work. The original budget has been reduced by £85k in 2007/08.

Currently there has been no amendment to the housing capital programme for future years. A full review will be undertaken later in the year when the results of the stock condition survey have been received.

General Fund Capital Programme

With regard to the general fund capital programme the outturn position for 2006/07 as reported to Governance and Audit Committee in Report no. CHFR67 together with up to date information relating to the delivery of the current years programme has been considered when reviewing the capital expenditure. As a result the revised programme for 2007/08 is now £6.234m, a total of £1.028m higher than originally approved. The main changes are summarised below:

- Town Centre Development has been allocated in two parts. The Bourne Core Area at £250k in 2007/08 and a further £500k over the next two years. The remaining £750k for the next three years remains unallocated to specific projects; this may lead to some budget slippage and 2007/08 expenditure moving into future years.
- Wheelie Bin procurement – part of the phased rollout of wheelie bins slipped from 2006/07 into the beginning of 2007/08.
- Car Parking - Multi-storey Welham Street Grantham - £246k slippage in the programme due to weather conditions and reduced daily working hours in response to issues relating to the 'Considerate Constructor' accreditation awarded to the project. The budget has been re-profiled to reflect the revised contract completion date.

- Access to Services - the modernisation programme will now extend into 2007/08.
- Provision for existing assets – the provision has been allocated to a further three projects to be completed in 2007/08. This includes: refurbishment of the gentlemen's toilets at the Council Offices in Grantham £13k. Changing room refurbishment at Deepings Leisure Centre £113k. Works at the cemetery (phase two) £100k in 2007/08 and (phase three) £100k in 2008/09.

The format for reporting the general fund capital programme has been amended to be consistent with the revenue budgets and is now shown on corporate themes (as reported in Report no. CHFR35 – Budget Presentation).

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)

This report and the associated appendices set out indicative financing arrangements for the capital programme, the actual financing of the programme will be determined as part of the closure of accounts process for 2007/08 and will be subject to the delivery of the programme and a more detailed review of the financing options.

It is planned to fund the housing capital programme entirely from the Major Repairs Allowance and Reserve in 2007/08.

Funding the general fund capital programme includes a number of sources of financing, these have been reviewed here in light of the outturn from the 2006/07 capital programme and changes in the timing of capital receipts in 2007/08 and future years.

The original budget report anticipated the financing of the 2007/08 capital programme to include capital receipts of £2.696m. Revised projections for capital receipts in the current financial year are £1.647m, due to a reduction in the number of council house sales and the timing of general fund assets sales. In addition, following the closure of accounts for 2006/07 the level of resources available as at 31 March 2007 is higher than planned, due to programme slippage and has been confirmed as follows:

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|------------------------------------|---------|
| • Capital Reserve | £2.249m |
| • Useable Capital Receipts Reserve | £4.757m |

It was proposed in the Report no. CHFR20 to Cabinet and subsequent Report no. CHFR21 to Council, to utilise housing receipts as a temporary internal financing source to support the general fund. Resources will then be made available for housing purposes in the future once anticipated general fund receipts are received during 2007/08. These

receipts are now anticipated to be received in 2007/08 with the remaining receipts being received in 2008/09. It is proposed to extend this arrangement into 2007/08.

Therefore, in financing the general fund programme for 2007/08, £4.761m will be financed from capital receipts. This will fully utilise the general fund capital reserve of £2.249m and will require use of capital receipts received in year of £1.647m and an element from useable capital receipts reserves of £0.835m. This will reduce the useable capital receipts reserve balance to £3.922m.

Capital grants and contributions will be used to finance £1.083m of the general fund programme. This funding relates to specific projects including; Wharf Road car park, disabled facility grants and private sector renewal. £0.420m of the general fund capital programme will be directly financed from revenue.

A further review of the capital programme will be undertaken in the autumn to ensure that it remains fit for purpose. It is planned to discuss the longer-term financing issues with the Council's Capital and Treasury Management advisors prior to the this review and the outcome of these discussions will be fed into the budget proposals for 2008/09.

4 COMMENTS OF MONITORING OFFICER

As part of the budget policy framework it is essential the recommendation for review of the capital programme is approved by full Council.

5 SUMMARY

This report has provided members with an update on the progress of the delivery of the Capital Programme for 2007/08 and has also identified for approval some amendments to the programme to take account of the outturn position for 2006/07 and the current officer and contractor capacity to deliver the programme by the end of the financial year.

6. CONTACT OFFICER

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