

Meeting: COUNCIL

Agenda Item:

Portfolio Area: Resources

11

Date: 25 February 2009

MATTER REFERRED FROM THE EXECUTIVE - CAPITAL STRATEGY UPDATE

(Finance)

KEY DECISION

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1 PURPOSE

- 1.1 To update Members on the progress of the 2008/09 General Fund Capital Programme.
- 1.2 To update Members on the progress of the 2008/09 HRA Capital Programme.
- 1.3 To update Members on the Five Year Capital Strategy and to recommend to Council that the Strategy be approved.

2 RECOMMENDATIONS

- 2.1 **That the Executive makes the following proposals to Council on 25 February 2009.**
 - 2.1.1 That Council approve the Revised 2008/09 General Fund (£12,811,490) and Housing Revenue Account (£12,528,530) Capital Programme totalling £25,340,020, as detailed in Appendix A, including the virement of £300,000 to the Aids and Adaptations budget.
 - 2.1.2 That Council be recommended to approve the 2009/10 General Fund Forward Plan proposals totalling £362,500 as detailed in Appendix B and as included in the five year Capital Strategy.
 - 2.1.3 That Council be recommended to approve the 2009/10 General Fund (£11,202,130), Housing Revenue Account (HRA) (£7,606,480) Capital

Programme and the allowance for emergency works (£127,000), totalling £18,935,610, as detailed in Appendix A.

- 2.1.4 That Council be recommended to approve the updated 5 Year Capital Strategy, as detailed at Appendix A, incorporating :
- i. The 2008/09 Revised and 2009/10 General Fund Capital Forward Plan
 - ii. The 2008/09 Revised and 2009/10 HRA Capital Programmes
 - iii. Updated forecasts of resources estimated to become available from small land sales and Right-to-Buy (RTB) sales
 - iv. Contingency for emergency schemes of £127,000
- 2.1.5 That the ongoing work of the Corporate Capital Review Group (CCRG), SMB and the Executive Capital Working Group to bring the 5 year Capital Strategy into balance, be noted.
- 2.1.6 That the Scrutiny Overview Committee be requested to report its consideration of this report direct to Council.

3 BACKGROUND

- 3.1 The Council's Original 2008/09 capital programme totalled £33,237,950, of which £19,145,570 was funded by capital receipts. The June updated Capital Strategy had assumed for 2008/09 and 2009/10, land and property sales totalling £14,153,000, which were required to keep the Capital Strategy in balance and resource the 2008/09 and 2009/10 approved capital programme. It became apparent during 2008/09 that in the current economic climate, land and property sale projections for both the current year and 2009/10 were going to be substantially lower. This has been compounded by predicted lower land values.
- 3.2 The action taken as a result of the lower projected land and property sales was to defer £6,517,770 and delete of £1,111,580 of capital expenditure from the 2008/09 and 2009/10 capital programme. The deferrals and deletions were approved at the December Executive and these schemes are no longer included in the February updated Capital Strategy. Work is now on-going to prioritise the deferred schemes, so as and when funding becomes available, the highest priority schemes can be brought back into the Capital Strategy.
- 3.3 The Updated Capital Strategy detailed in Appendix A has been updated since the December Executive for:
- updated for the 2008/09 capital programme slippage
 - changes to projected spend on 2008/09 schemes for both HRA and General Fund
 - detailed HRA 2009/10 programme
 - updated land and property sale projections.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2008/09 and 2009/10 Capital Programme-General Fund

- 4.1.1 The 2008/09 General Fund capital programme is projected to be £12,811,490, which is £2,427,580 lower than the working budget reported in December. The reduction in spend is mainly due to slippage of £2,421,780 in the programme into 2009/10, of which £1,056,000 related to Growth Area funded projects (Appendix A, page 6).
- 4.1.2 In the December capital programme, the Building Schools for the future capital receipts had been shown net of the grant of £500,000 to AVC (£3,250,000). The grant is now shown in the capital programme (£500,000, 2009/10) and the capital receipt as £3,750,000.
- 4.1.3 There have been some minor overspends on the 2008/09 programme which have been dealt with by bring forward 2009/10 budgeted amounts into 2008/09 or viring between similar schemes. There were further minor overspends of £5,800 which could not be offset elsewhere in the programme. The largest 2008/09 overspend is on Disabled Facilities grants which are projected to overspend by £80,000, but with a compensating underspend on home improvement grants (Appendix A, page 4).
- 4.1.4 The 2009/10 capital programme contains the Forward Plan bids of £362,500 (2009/10), £460,000 (2010/11) and £10,000 (on-going), which were approved at the December Executive, these are included in Appendix B.
- 4.1.5 The 2009/10 programme also contains £127,000 allowance for works which may need to be completed but have been deferred from the capital programme. There are also a couple of schemes which are being re-assessed because the budgeted approval may be less than the scheme requirements, these are:
- Golf Centre Redevelopment-the budget for this scheme is £467,460, however after officers have undertaken an independent pre-tender cost estimate exercise the scheme costs are currently coming in higher than the budget allocation. The scope of the works is currently being assessed and will be brought back to Members at a later date.
 - Major capital enhancement works - this budget will be required for essential works to the Council's offices if the replacement of the offices, as part of the regeneration of the Town Centre is delayed. This is currently being assessed and will be brought back to Members at a later date.

4.2 2008/09 Capital Programme -Housing Revenue Account (HRA)

- 4.2.1 The 2008/09 HRA capital programme is projected to be £12,528,530, which is £846,480 lower than the working budget reported in December. The reduction in spend is due to slippage in the programme into 2009/10, (Appendix A, pages 13 and 15).
- 4.2.2 The projected underspend of £846,480 includes underspends relating to Brent Court electrical improvements (£413,960), of which £113,960 has been slipped into 2009/10. This is because of revised design requirements imposed by the regulator of electricity services. The remaining budget of £300,000 is not required and SHL have requested that £300,000 is vired from this budget to fund the 2008/09 aids and

adaptations programme.

4.2.3 Members will note that the 2008/09 projected spend on aids and adaptations in December was £818,520, an increase of £218,520 over the original budget of £600,000. SHL are reporting significant pressure on the programme as a result of improvements in the service and the requirement to clear an initial backlog. The budget recommended for approval in 2009/10 is £970,000.

4.2.4 The decent homes budget for 2009/10 is £4,210,000 (main programme, excluding slippage of £350,000) and SHL have indicated the projected decency numbers for the 2009/10 programme, these are detailed below:

Decent Homes Programme 2009/10	Budget for 2009/10 £	Homes made Decent (no)
Heating/Insulation	1,200,000	406
Electrical	1,400,000	520
Kitchens	550,000	161
Bathrooms	360,000	150
Window and Door Replacement	300,000	203
Roofing	350,000	
Cavity and Loft Insulation	50,000	
Total Spend	4,210,000	
Total Homes made decent		450

4.3 Capital Programme Resources

4.3.1 The capital receipts projected for 2008/09 are £4,191,275, this is £853,556 lower than projected at the December Executive. The 2008/09 receipts include the Building Schools for the Future receipt (including the AVC grant) of £3,750,000. (The grant of £500,000 is now shown as capital expenditure in 2009/10).

The reason for the reduction in projected receipts is that sale negotiations have been slower than anticipated and are now likely to be realised in 2009/10, some at a lower sale value.

The level of Council House sales is also lower than estimated for 2008/09, sale values have been much lower than that projected.

4.3.2 The Capital Strategy (Appendix A page 1), shows the capital programme is resourced until 2011/12, however the surplus projected at 31 March 2010 is only £188,107. This surplus must be looked at in context with the 2009/10 projected land and property sales of £4,460,300. Should that level of sales fail to materialise, further deferrals to the capital programme will be required. Members are advised that a prudent assessment of land sales has been assumed for 2009/10, however officers have seen anticipated 2008/09 land sales slow down and this is coupled with falling land prices.

4.3.3 There is also potential pressure on the capital programme as deferred schemes may need to be brought back into the programme. The total of deferred schemes is

£6,517,770, together with deferred 2009/10 Forward Plan bids of £1,105,000, (deferred at the December Executive), furthermore the Capital Strategy has no allowance for future Forward Plan bids.

- 4.3.4 The Corporate Capital Review Group (CCRG), has in hand further work to review the proposed 2009/10 deferred schemes, prioritising them in order of need, so if and when additional resources become available the highest priority schemes can be brought back into the programme, subject to Member approval. The CCRG also monitor the deferred schemes to determine whether they require to be actioned as a result of health and safety or other urgent need issues.
- 4.3.5 Whilst it is proposed that the Budget and Policy Framework should contain a contingency allowance of £2,000,000, against the background of the current Strategy, any use of this contingency during 2008/09 will need to be very carefully considered.

5 IMPLICATIONS

5.1 Financial Implications

This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

None identified at this time.

5.3 Policy Implications

The approval of the revised budget framework includes a link for the Councils service planning requirements to ensure service priorities are identified. In addition the budget framework represents a development of a policy led budgeting approach across Council services and the overall Capital Strategy.

BACKGROUND DOCUMENTS

- Capital Strategy Report (Executive December 2008)

APPENDICES

Appendix A – The Updated 2008/09 5 Year Capital Strategy
Appendix B – The Forward Plan Bids 2009/10