



AGENDA ITEM: 9

CABINET: 18 November 2008

**EXECUTIVE OVERVIEW AND
SCRUTINY COMMITTEE:
4 December 2008**

COUNCIL: 17 December 2008

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D Westley

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SUBJECT: REVISED CAPITAL PROGRAMME AND MID YEAR REVIEW 2008/2009

District Wide Interest

1.0 PURPOSE OF THE REPORT

1.1 To agree the Revised Capital Programme 2008/2009 and provide Members with an overview on the progress against the Revised Capital Programme at the mid-year point.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the Revised Capital Programme, including the virements contained within it, be considered and approved for consideration by Council.

2.2 That the progress against the Revised Capital Programme at the mid-year point be noted.

2.3 That call in is not appropriate for this item as it is being referred to Executive Overview and Scrutiny Committee and Council.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the Revised Capital Programme, including the virements contained within it, and progress against it at the mid-year point be considered and noted.

4.0 RECOMMENDATIONS TO COUNCIL

4.1 That the Revised Capital Programme, including the virements contained within it be agreed.

- 4.2 That progress against the Revised Capital Programme at the mid-year point be noted.
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5.0 BACKGROUND

- 5.1 The Capital Programme is set on a three-year rolling basis and the Programmes for 2008/2009, 2009/2010 and 2010/2011 were approved at Council in February, 2008.
- 5.2 In accordance with the Capital Strategy, the Capital Programme is subject to revision around the mid-year point to ensure that it is based on the latest available information and to make monitoring of the Programme more meaningful. It enables Managers to review their schemes with the most up to date information and to review the resources available. It also provides a base upon which to build future Capital Programmes.
- 5.3 Members are kept informed of the financial position of the Capital Programme through regular monitoring reports. The last such report was presented to Cabinet in September 2008 and to Executive Overview and Scrutiny in October 2008 and reported on a Capital Programme of £13.927m for 2008/2009.

6.0 REVISED CAPITAL PROGRAMME

- 6.1 Divisional Managers have reviewed their respective schemes and have made changes as a result of more up to date information that has become available. The review incorporated a number of considerations including:
- re-profiling the phasing of schemes
 - changes to external funding availability
 - levels of anticipated funding required
- 6.2 Divisional Managers have also made budget virements to enable the Programme to progress and to re-align schemes to reflect spending profiles.
- 6.3 The Revised Capital Programme totals £11.993m for 2008/2009 and is analysed by Division in Appendix A along with a summary of the revised capital resources available. Changes made to the Programme show an overall reduction from Quarter 1 of £1.934m. This is due to a combination of factors including reprofiling of approvals into 2009/2010 of £1.483m. The changes do not include any cuts to schemes and are analysed in Appendix B.

7.0 CAPITAL RESOURCES

- 7.1 There are sufficient resources identified to fund the Revised Capital Programme as shown in Appendix A.
- 7.2 A proportion of the resources to fund capital expenditure are based on government allocations that have been confirmed. Other resources come from external funding and schemes that are heavily dependent on this source are not able to start until after the funding has been confirmed. A further source of funding is capital receipts.

- 7.3 The main area of the capital resources budget that is subject to variation is in relation to capital receipts. These are the useable proceeds from the sale of Council assets (mainly houses under Right to Buy legislation) that are available to fund capital expenditure. These receipts can vary significantly depending on the number and value of assets sold.
- 7.4 The previous capital monitoring report identified that at the end of July the level of capital receipts that had been generated was 50% of the target for that point in the year. This reflected a significant reduction in the level of Council house sales. Members were advised that the reasons for this slow down included the impact of the credit crunch and the general slow down in the housing market. Both factors are outside the direct control of the Council.
- 7.5 This slow down has continued and receipts generated in this manner are now slightly under 50% of their original target at the mid-year point. Consequently, the original estimate of £1m to be generated from Council House Sales has now been revised down to £0.45m for the year.
- 7.6 The reduction in levels of capital receipt funding is expected to continue over the medium term. This issue will have a significant impact on the capital programme in future years and further details are provided in the Budget Prospects report included elsewhere on the Agenda.

8.0 CAPITAL EXPENDITURE

- 8.1 Generally, capital expenditure is profiled with relatively low spending, compared to budget, in the early part of the financial year and increased spending as the year progresses. This reflects the fact that many schemes have considerable lead in times, for example, because of the need to undertake tenders and award contracts at the start of the scheme. Most schemes will then progress and spend in line with their approval by the year-end.
- 8.2 This pattern has been repeated in the current year and at the mid-year point capital expenditure totalling £3.448m has been incurred. This is analysed in Appendix A and represents 29% of the Revised Programme for the year. This level of spend is in line with the comparable figure in both of the previous two financial years.
- 8.3 The Divisional Managers' comments on the progress of schemes against the Revised Programme are included in Appendix C.

9.0 SUSTAINABILITY AND COMMUNITY STRATEGY LINKS

- 9.1 The Capital Programme identifies investment schemes that the Council plans to implement to enhance service delivery and its assets. Each Capital scheme is the subject of an individual project plan that addresses sustainability, crime and disorder, and Community Strategy issues. The Capital Programme itself contributes to sustainability by focusing on the Council's use of assets by linking them directly to the Council's overall priorities through the option appraisal process. It also achieves the objectives of the Prudential Code for Capital

Finance in Local Authorities, i.e. that capital investment plans are affordable, prudent, and sustainable.

10.0 RISK ASSESSMENT

10.1 Capital assets shape the way services are delivered for the long term and, as a result, create financial commitments. As part of the arrangements to ensure adequate control over its asset base the Council prepares a Capital Programme. Schemes within the Programme that are reliant on external contributions or decisions are not started until funding is secured. Other resources that are subject to fluctuation are monitored closely and positive action is taken to ensure the funding is available before expenditure is incurred.

11.0 CONCLUSIONS

11.1 The Capital Programme is subject to revision around the mid-year point to ensure that it is based on the latest available information and to make monitoring of the Programme more meaningful. It provides the opportunity of reviewing available resources and a basis upon which to build future Programmes.

11.2 The Capital Programme has been revised to £11.993m for 2008/2009. Members are asked to consider and approve the Revised Capital Programme, including the virements contained within it, as a new basis against which Capital Schemes can be monitored.

11.3 Expenditure against the Revised Capital Programme at the mid-year point is £3.448m. This represents 29% of the Programme for the year and is in line with previous years' comparable figures.

11.4 It is expected that sufficient capital resources will be available to fund the current year's programme. However, the significant reduction in capital receipts being generated from asset sales means that the medium term capital programme will need to be reviewed in depth as part of the budget setting process.

Background Documents:

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

Appendices:

- A 2008/2009 Revised Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- B Summary of Changes to 2008/2009 Capital Programme
- C Divisional Manager Comments at Mid-Year