



AGENDA ITEM: 8

CABINET: 17 November 2009

**EXECUTIVE OVERVIEW & SCRUTINY
COMMITTEE: 3 December 2009**

COUNCIL: 16 December 2009

Report of: Council Secretary and Solicitor

Relevant Portfolio Holder: Councillor D Westley

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SUBJECT: REVISED CAPITAL PROGRAMME AND MID YEAR REVIEW 2009/2010

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To agree the Revised Capital Programme 2009/2010 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 additional expenditure and virements contained within it, be 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 and progress against it at the mid-year point be noted.

4.0 RECOMMENDATIONS TO COUNCIL

- 4.1 That the Revised Capital Programme, including the additional expenditure and 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 2009/2010, 2010/2011 and 2011/2012 were approved by Council in February, 2009.
- 5.2 In accordance with the Capital Strategy, the Capital Programme is subject to revision at 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 2009 and to Executive Overview and Scrutiny in October 2009 and reported on a Capital Programme of £16.576m for 2009/2010.

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 reviews incorporated a number of considerations including:
 - re-profiling the phasing of schemes
 - changes to external funding availability
 - levels of anticipated funding required
 - anticipated levels of demand
- 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 £12.413m for 2009/2010 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 of £4.163m. This is mainly due to reprofiling of approvals into 2010/2011 of £4.392m and other net adjustments of £0.229m. The changes are analysed in Appendix B.
- 6.4 The Revised Programme includes an increase of £0.27m for new/additional expenditure in 2009/2010 and a further £0.06m over the medium term that will be funded from the VAT refund that is explained in the Revenue Mid Year Report elsewhere on this agenda. This funding will be used to develop the following schemes:

- Coronation Park, Skelmersdale (£90,000)
- Replacement play area at Manor Road Park, Burscough (£25,000)
- Extension to Richmond Park, Burscough scheme (£65,000)
- Replacement play equipment at Halsall Lane Park (£40,000)
- WiFi in Ormskirk Town Centre and Chapel Gallery (£2,000)
- Allotment Improvements (£18,000)
- Conservation Area grants (£90,000 over three years)

6.5 Members were advised in September of a successful bid for a grant of £0.807m for a Housing Development Scheme at Tanhouse that will cost £1.721m in total. Work is due to take place between March 2010 and March 2011. This has not yet been included in the Revised Programme as officers are continuing discussions with the DCLG and Homes and Community Agency to try and ensure the scheme is funded in the most advantageous method for the Council. Once this issue is finalised the scheme will be included in the Programme and details reported back to Members.

7.0 CAPITAL EXPENDITURE

7.1 Generally, capital schemes are profiled with relatively low spending compared to budget in the early part of the financial year with increased spending as the year progresses. This reflects the fact that many new schemes have considerable lead in times, for example, because of the need to undertake the tendering process and award contracts at the start of the scheme. Other schemes are dependant on external partner funding and schemes can only begin once their funding details have been finalised. Other schemes include contract retentions or contingencies that will only be spent some time after completion of the contract. Most schemes then progress and spend in line with their approval by the year-end.

7.2 This pattern has been repeated in the current year with £2.398m (19%) of expenditure having been incurred by the mid-year. This is lower than the £3.448m (29%) at the same point in 2008/2009 and £3.678m (29%) in 2007/2008.

7.3 Members were advised in the previous monitoring report of additional funding that was made available to the Council after the budget was set. This included £1m additional MRA funding that has been brought forward from the 2010/2011 Programme and which needs to be spent in the current financial year along with £0.407m of additional Regional Housing Allocation funding. Expenditure plans for both are included in the revised programme and it is expected that this funding will be spent before the year end. There is also currently around £0.75m of other committed expenditure due to take place over the coming months.

7.4 Taking account of the additional funding plans, committed expenditure, and the new housing development, shows an increase in the percentage spend against the revised programme to 23%.

7.5 Appendix C provides the Divisional Managers' comments on the progress of schemes against the Revised Programme. Housing Public and Private Sector schemes represent 73% of the overall programme and consequently progress in these areas will largely determine the overall spending position at the year end.

7.6 The Council has taken the opportunity to form a partnership with Lancashire County Council to build a waste transfer station at Stanley Depot. The estimated cost of the scheme is in excess of £1.5m. The County Council are building the new transfer station at no cost to the Borough Council which means that the scheme is not included in the Borough's Capital Programme. The Borough Council, however, will benefit significantly from this enhancement to its asset.

8.0 CAPITAL RESOURCES

8.1 There are sufficient resources identified to fund the Revised Capital Programme as shown in Appendix A.

8.2 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.

8.3 The previous monitoring report identified that, due to reasons beyond the control of the Council, only 2 sales had been achieved at the beginning of August against the target of 30 for the year. There have been no further sales to date.

8.4 This income position is being closely monitored and the medium term capital programme will be reviewed to address the situation. The Council has a large Capital Programme and consequently any income variations can be managed over a medium term timescale. This is particularly due to there being sufficient capital receipts having already been realised to fund the programme for the current and next years. This issue is discussed further in the Budget Prospects Report elsewhere on this Agenda.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

9.1 The Capital Programme includes schemes that the Council plans to implement to enhance service delivery and assets. Individual project plans address sustainability and Community Strategy issues and links to Corporate Priorities. The Capital Programme also achieves the objectives of the Prudential Code for Capital Finance in Local Authorities by ensuring capital investment plans are affordable, prudent, and sustainable. This report provides an updated position on project plans and shows progress against them.

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. The formal reporting of performance against the Capital Programme is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. Schemes within the Programme that are reliant on external contributions or decisions are not started until funding is secured and other resources that are subject to fluctuation are monitored closely to ensure availability. The capital

receipts position is scrutinized on a regular basis and managed over the medium term to mitigate the risk of unfunded capital expenditure.

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 £12.413m for 2009/2010. Members are asked to consider and approve the Revised Capital Programme, including the additional expenditure and 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 £2.398m. This represents 19% of the Programme for the year which is a reduction on 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 2009/2010 Revised Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- B Summary of Changes to 2009/2010 Capital Programme
- C Divisional Manager Comments at Mid-Year