
Meeting: Executive
Date: 10 November 2009
Subject: Review of Capital Programme
Report of: Councillor Maurice Jones, Portfolio Holder for Corporate Resources

Summary: The report presents a review of the 2009/10 Capital Programme and proposes a revised 2009/10 Capital Programme to the Executive for recommendation to the Council for approval.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Matt Bowmer, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Council
Key Decision Yes
Reason for urgency/ Exemption from call-in (if appropriate) To ensure that the Council has a robust and deliverable Capital Programme for the remainder of 2009/10.

CORPORATE IMPLICATIONS

Council Priorities:

The Council's Capital Programme is directed towards achieving the Council's key priorities

Financial:

The revenue effects of that part of the Council's Capital Programme that is not funded by external finance forms a significant element of the Council's revenue budget. Consequently, the actual Programme approved and delivered by the Council is dependent on the availability of capital finance and the affordability of proposals.

Legal:

The provisions in the Capital Investment Strategy and the Council's Capital Handbook, combined with normal internal control processes, ensure that the Council fully complies with all legislation and regulations in relation to Capital Finance.

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Development/Safety:

None

Sustainability:

None

RECOMMENDATIONS:

1. That the Executive recommends the Revised General Fund Capital Programme for 2009/10, attached as Appendices B1 to B5, to the Council for approval.
2. That the Executive recommends the Revised Housing Revenue Account Capital Programme for 2009/10, attached at Appendix E, to the Council for approval.
3. That the Executive approves the progression of the following projects for which Business Cases and/or Project Initiation Documents are attached as Appendices F1 to F3:
 - Biggleswade Town Centre Masterplan
 - Integrated Environmental Improvement Project
 - Performance Management System

Reason for Recommendations: To ensure that the Council has a robust and deliverable Capital Programme for the remainder of 2009/10. To obtain approval for the progression of schemes slipped from 2008/09. To obtain approval for the progression of a number of specific schemes in the Capital Programme.

1. Background

- 1.1 At its meeting on 26 February 2009 the Shadow Council approved the General Fund Capital Programme 2009/10 – 2010/11 and the HRA Capital Programme 2009/10 – 2012/13. The Council also approved in principle the indicative Capital Programme proposals for 2011/12 – 2012/13, subject to an unfinanced expenditure limit of £50 million per year and a fundamental review of the Capital Programme.

- 1.2 During the process of approving the Capital Programme, the Shadow Executive noted that the establishment of the new authority and the transition period inevitably placed limitations on the scope of the Capital Programme formulation and approval process for 2009/10. It was noted that the Council was not in a position to approve a Capital Programme that truly reflected the new Council's objectives and priorities, and which challenged the priorities set by the predecessor authorities.
- 1.3 A review has now been undertaken of the schemes that constituted the approved 2009/10 Capital Programme, and of the schemes identified as slippage from 2008/09, which were reported to the Executive on 21 July 2009 as part of the Financial Outturn reports for the three demised authorities. At that meeting, the Executive resolved that a review be undertaken of the slippage on legacy capital programmes to assess the impact on Central Bedfordshire's Capital Programme.

2. Review of Capital Programme –Format

- 2.1 The review of the Programme has been carried out in scheme by scheme detail by Directorates in conjunction with Financial Services. The focus of this review has been on the current year, and the 2010/11 Programme will be formulated and considered as part of the overall 2010/11 budget process, incorporating this slippage where appropriate.
- 2.2 Appendices B1 to B5 present the outcome of this review by Directorate, showing original 2009/10 budget, new schemes, and a revised budget for 2009/10. Slippage from 2008/09 is included in the revised budgets for 2009/10 and forecast slippage into 2010/11 proposed by the directorates is also shown (with the slippage identifier "D" for "Directorate Carry Forward"). Appendix A summaries this information for the overall General Fund Capital Programme.
- 2.3 Appendix C presents more information on new schemes.
- 2.4 Appendix D presents a more detailed analysis of the Capital Programme by directorate, including more information on new schemes, main adjustments to the programme, and main slippages and carry forwards into 2010/11.
- 2.5 This review has consolidated a considerable amount of valuable updated and background information on both the financial and progress positions of the programme, scheme by scheme. For the sake of brevity, this information is not appended to this report, but is referred to as Background Papers and is available to members on request.
- 2.6 The Housing Revenue Account (HRA) Capital Programme is funded and accounted for separately from the General Fund Capital Programme, which is the main focus of this report. However, the HRA Programme has also been reviewed and is attached as Appendix E.

3. Review of Capital Programme – Process and Overall Position

- 3.1 The original General Fund Capital Programme for 2009/10 was formulated largely on the basis of the legacy authority programmes. The Programme included around £15m of over-programming, with the assumption that there would be equivalent slippage into 2010/11. This assumption produced the position which was considered to be realistic and affordable, in the context of both the Council's capital resource availability and revenue positions. The approved programme did not include the effect of slippages brought forward from 2008/09. However, to a large extent the level of slippage should not be a significant factor in terms of affordability. Firstly, the bulk of slippage was accompanied by grant funding, and second, the legacy authorities have not had to either borrow or use capital receipts in respect of these schemes, so the relevant resources have been transferred to the new authority.
- 3.2 The initial Forecast resulting from this review produced a net funding requirement from capital receipts or borrowing which did not fit with the affordability position of the Council. The revenue position of the authority as referred to in the monthly Budget Monitoring reports presents a serious potential overspend position on the General Fund Revenue Account. This would be exacerbated in future years by an inflated Capital Programme, through both interest costs on borrowing / use of capital receipts, and the Minimum Revenue Provision (MRP) that needs to be charged to the General Fund in respect of the principal element of capital.
- 3.3 To address this situation, Financial Services have further reviewed the Net Forecast by comparing the Directorate Forecast with spend to date, and the status and progress position on schemes with significant funding required from Central Bedfordshire. This has indicated that there is an element of unrealistic forecasting regarding potential spend by the year end. Realistically, it is unlikely that schemes that have not progressed beyond the Detailed Business Case Stage to date will actually entail significant expenditure this year. In the Revised Capital Budget figures in Appendices B1 to B5, schemes of this nature are identified with the key "M" for "Managed Slippage", into 2010/11, and do not have permission to commence in 2009/10.
- 3.4 This further review did not indicate a sufficient level of slippage to ensure that the programme stays broadly within the assumed level of affordability. However, there is a third level of projects within the programme which can contribute to staying within funding limitations. These are schemes where, although the scheme or programme is underway, the forecast looks overoptimistic compared with current spend. In the Revised Capital Budget figures in Appendices B1 to B5, schemes of this nature are identified with the key "ER" for "Estimated Reduction in Budget", with the reduction shown as a carry forward into 2010/11. These areas will be closely monitored as part of the monthly Budget Monitoring reporting.

3.5 To reiterate, the three categories of slippage shown in the Appendices under “Slippage ID” are:

D - Directorate Carry Forward

M - Managed Slippage

ER - Estimated Reduction in Budget

3.6 These carry forwards and reductions in revised budget are imperative in ensuring that the Council stays within its capital financing envelope for the current year. To a large extent, these revisions probably reflect a realistic expected outturn position given progress to date and capacity. It is important to note that these are not once and for all reductions in capital schemes and abandonments of projects. The Capital Programme for 2010/11 and subsequent years will shortly be formulated and considered, and slipped schemes and carry forwards will figure heavily in this Programme. It is worth noting that some significant schemes indicated for slippage into 2010/11 have already been slipped from the 2008/09 programmes of the legacy authorities. Although in some areas, Directorates will need to manage against reduced provisions in 2009/10, there is nothing to prevent requests being made to the Executive to increase individual scheme budgets during the remainder of this year should circumstances make this essential.

3.7 Overall, the combination of measures outlined in this report should ensure that the 2009/10 outturn position remains broadly within the parameters of affordability. Appendix A and Appendices B1 to B5 reflect the proposed Revised Capital Programme for 2009/10 incorporating all of these measures.

3.8 Consequently, the revised summary capital financing position for the Capital Programme for 2009/10 taking into account the review of the programme and resources, and the issues referred to in this report is shown below. A further assumption has been made in this table that further natural slippage will occur, maintaining the original assumed net funding requirement from Borrowing and Capital Receipts.

	2009/10	2009/10
	Budget	Revised
	£000	£000
Total Expenditure	64,984	66,107
Less; Assumed Slippage c/f	(15,000)	(3,941)
	49,984	62,166
Funded by: -		
Government Grants	24,471	31,527
External Contributions (S106 etc)	7,849	12,526
Contributions from Reserves	20	539
Revenue Contributions	70	0
Borrowing	8,787	8,787
Capital Receipts	8,787	8,787
Totals	49,984	62,166

- 3.9 In the above summary, as with the original financing position, for illustrative purposes it has been assumed that the net funding required will be split equally between Borrowing and use of Capital Receipts. In practice, the decision whether or not to borrow, and at what rates and maturity periods, is a tactical one, taking into account factors such as interest rates and the Council's revenue position.

4. Specific Scheme Approvals

- 4.1 As noted in the September Budget Management Report to Executive, the capital approvals process in the Constitution is currently under review and is being considered by the Constitution Advisory Group. Until amendments to the Constitution are made, the Executive is still required to approve a document incorporating the principal elements of a Project Initiation Document (PID) to enable individual schemes to proceed. Consequently, as referred to in the sections of this report regarding each directorate, PIDs are attached as Appendices F1 to F3 requesting approval for schemes to proceed in respect of: Biggleswade Town Centre Masterplan; Integrated Environmental Improvement Project; and Performance Management System.

Appendices:

Appendix A – Capital Programme 2009/10 Original Budget, Revised Budget, and Carry Forwards – Summary
Appendix B1 – Business Transformation Capital Programme 2009/10
Appendix B2 – Children, Families, and Learning Capital Programme 2009/10
Appendix B3 – Corporate Resources Capital Programme 2009/10
Appendix B4 – Social Care, Health, and Housing Capital Programme 2009/10
Appendix B5 – Sustainable Communities Capital Programme 2009/10
Appendix C – New Schemes 2009/10
Appendix D – Review of Capital Programme 2009/10 – Directorate Analysis
Appendix E – Housing Revenue Account Capital Programme
Appendix F1 – Biggleswade Town Centre Masterplan Outline Business Case
Appendix F2 – Integrated Environmental Improvement Project PID
Appendix F3 – Performance Management System Outline Business Case

Background Papers (open to public inspection):

Detailed Capital Programme Review Directorate Analysis

Location of papers: Borough Hall, Bedford