

Item 8

REPORT TO CABINET

15th SEPTEMBER 2005

REPORT OF DIRECTOR OF RESOURCES

Portfolio: RESOURCE MANAGEMENT

CAPITAL BUDGETARY CONTROL REPORT 2005/2006 POSITION TO 31ST JULY 2005

1.0 SUMMARY

1.1 This report provides a review of the position on the 2005/06 Capital Programme to 31st July 2005. It includes an overview of progress made to date in meeting spending targets, carry forward approvals from the 2004/05 capital programme, available capital resources and the proposed financing of the programme. The 2005/06 report also outlines developments that have occurred during the year to date that have an impact on the overall capital programme.

2.0 RECOMMENDATIONS

It is recommended that:

- (i) Management Team note the four month spend position to 31st July 2005;
- (ii) Further reports be submitted to Management Team detailing the position as at 30th September, 31st December and final outturn as at 31st March in line with the Budgetary Control Monitoring Arrangements 2005/06 reported to Management Team on 22nd August 2005.
- (iii) Detailed project based reports be submitted to all future Strategic Working Groups in order to monitor progress throughout the year.

3.0 CAPITAL SPEND AND RESOURCES MONITORING 2005/06

Initial Spending Targets / Revised Capital Programme

3.1 Council approved the Capital Programme for 2005/06 on the 25th February 2005 as part of the overall Budget Framework 2005/06. Target spending plans totalling £10,800,000 were set and allocated across Council portfolios. In addition Council approved a special provision for Regeneration Initiatives of £5,000,000 linked to the significant capital receipts due in respect of land sales in Newton Aycliffe. The total capital programme for 2005/06 was approved at £15.8m.

3.2 The Regeneration Initiatives Programme was subsequently postponed due to the delays in realising these capital receipts as highlighted in the report to Cabinet on 30th June 2005. As a result this budget provision has since been

restricted to £2.5 million for 2005/06. Approval has also been given to the carry forward of £554,000 from the 2004/05 Regeneration Initiatives Provision in respect of the Council's contribution towards the costs of the Gymnastics Centre at Spennymoor Leisure Centre.

- 3.3 The actual out-turn position for the previous financial year was reviewed by Management Team on the 20th June 2005 when considering the Statement of Accounts 2004/05. This identified an under-spend of £1.5 million on the 2004/05 capital programme and a number of schemes totalling £1.348 million were identified for carry forward into 2005/06. Consequently, revised spending targets were set by the Director of Resources to reflect this carry forward of resources.
- 3.4 In addition, approval has recently been given to the transfer of £110,000 from the £190,000 Contingency Sum to Culture and Recreation Capital Programme in respect of roof repairs required at Spennymoor Leisure Centre.
- 3.5 The approved Capital Programme only shows the use of the Council's own resources towards capital spending. The Council has also secured a number of sources of external funding towards the Capital Programme in the way of government grant approvals, lottery funding and other grants and contributions. The total level of capital spending will therefore be significantly higher once external funding has been taken into account.
- 3.6 The following table shows the original 2005/06 Capital Programme approved by Council, the approved carry forward from 2004/05 which is added to give the revised Capital Programme approval for the year and details all approved external funding secured to date to show the total Gross Budget reflecting total capital resources available for the year:

Capital Programme / Portfolio	Original Approved Net Budget	Approved Carry Forward from 2004/05	Revised Net Budget	Approved External Funding	Gross Budget 2005/06
	£'000	£'000	£'000	£'000	£'000
Resource Management:					
- ICT+	1,000	323	1,323	50	1,373
- Green Lane	175	-	175	-	175
- Chilton Depot	65	56	121	-	121
Culture and Recreation*	610	40	650	1,284	1,934
Regeneration	400	494	894	1,011	1,905
Economic Development	200	159	359	300	659
General Fund Housing	1,000	-	1,000	853	1,853
Community Safety	80	(24)	56	-	56
Environment	120	-	120	-	120
Supporting People	70	-	70	-	70
Regeneration Initiatives#	2,500	554	3,054	-	3,054
Contingency Sum*	80	-	80	-	80
Total General Fund	6,300	1,602	7,902	3,498	11,400
Housing Revenue Account	7,000	300	7,300	-	7,300
Total	13,300	1,902	15,202	3,498	18,700

+ Includes £150,000 IEG Funding

* Includes £110,000 transferred from Contingency Sum to Culture and Recreation in respect of repairs to SLC roof

£554,000 carried forward from 2004/05 Regeneration Initiatives Provision in respect of the Council's contribution towards the Gymnastics Centre at Spennymoor Leisure Centre

Developments During 2005/2006

- 3.7 As previously reported, the Council has now received significant capital receipts from the sale of housing land at Cobblers Hall, Newton Aycliffe during the current financial year. However as a result of the delays experienced in receiving these receipts, the £5 million special provision for capital spending on affordable housing and regeneration projects has been restricted to £2.5 million. A separate report is to be presented to Management Team and Cabinet by the Head of Strategy and Regeneration providing a breakdown of the proposed use of this budget.
- 3.8 The Council has been successful in its applications to One North East for Single Programme Grant of £1.011 million towards the Spennymoor Town Centre Improvement Programme and £250,000 for the Aycliffe Industrial Estate Improvement Fund. These approvals will significantly enhance the Regeneration Capital Programme this year.
- 3.9 The General Fund Housing Capital Programme has been significantly boosted by the approval of £650,000 from the Single Housing Investment Pot (SHIP) (including £50,000 carried forward from 2004/05) which will be utilised in regenerating private sector housing estates in Chilton and Ferryhill. In addition the Portfolio has benefited from a carry forward from 2004/05 of £18,000 Disabled Facilities Grant in addition to the £185,000 2005/06 approval.
- 3.10 The approved Culture and Recreation Capital Budget for 2005-2006 benefits from external funding totalling £1.233 million from the National Lottery and Competition Line in respect of the Gymnastics Centre at Spennymoor Leisure Centre.
- 3.11 Following submission of the Implementing Electronic Government Statement for 2005/06 (IEG 4.5) to the ODPM, the Council has again been successful in securing a grant of £150,000 to support spending in this area. The Council's ICT capital budget for E-Government initiatives already reflects the approval of this grant. In addition, an ISU grant from the ODPM of £50,000 has been secured and this will be utilised in helping to project manage the ICT capital programme.
- 3.12 The Council has recently approved a capital allocation of £700,000 (£350,000 in 2005/06 and 2006/07) in respect of investment in children's fixed play equipment. This programme of works is to be financed from the Housing Land Capital Receipts Strategy approved by Cabinet on 30th June 2005 (£2.5 million provision in 2005/06 Capital Programme).
- 3.13 The capital allocation for the Community Safety portfolio has been reduced by £24,000. This was because the digital recording capital project commenced in 2004/05 and part of the current years allocation was therefore brought forward to last years capital programme to offset the costs.

Revised Capital Programme and Actual Spend to 31st July 2005

- 3.14 The adjustments explained above have resulted in a revised net spending target of £15.2 million for 2005/06. A summarised statement of actual spend to 31st July 2005 across all portfolios is shown as follows:

Portfolio	Revised Gross Budget £'000	Actual Gross Spend £'000
Resource Management:		
- ICT	1,373	148
- Green Lane	175	26
- Depot	121	66
Culture and Recreation	1,934	424
Regeneration	1,905	334
Economic Development	659	7
General Fund Housing	1,853	260
Community Safety	56	-
Environment	120	48
Supporting People	70	1
Regeneration Initiatives	3,054	-
General Contingency	80	-
Total General Fund	11,400	1,314
Housing Revenue Account	7,300	1,970
Total	18,700	3,284

- 3.15 A gross total of £3.284m has been spent in the first four months to 31st July 2005. Additional grants and contributions of £0.236m have been received resulting in a net spend position of £3.048m or 20% of the revised net Capital Programme.

Progress on Major Capital Projects

- 3.16 Since 2001/2002 the Council has been making financial provision for the development of a regional gymnastics centre based at the rear of the Spennymoor Leisure Centre developed in partnership with Sports Lottery funding. The Council agreed to contribute £554,000 and this will be met this year from carried forward Regeneration Initiatives resources. Work is underway on this project and is expected to be completed by the end of 2005.
- 3.17 The Council has been working with partners to attract resources for tackling private sector housing suffering from market failure. A joint bid with other South Durham Coalfield Councils was made to the Regional Housing Board and an allocation of £650,000 has been confirmed from the Single Housing Investment Pot (SHIP) for 2005/06 (including £50,000 carried forward from 2004/05). In terms of tackling market failure in older private sector housing, Ferryhill Station, Dean Bank and Chilton have been identified as three priority areas and consultants have now been appointed to develop of programme of works to achieve the spend by 31st March 2006.
- 3.18 As highlighted in paragraph 3.8 One Northeast has approved the Council's Spennymoor Town Centre Improvement Programme with a grant of £1.011 million available in 2005/06. The contract for the works has now been awarded and it is envisaged that the Town Centre Improvements will be substantially completed during this financial year.

The Council continues to make progress in achieving the Decent Homes Standard through its major Housing Capital Programme. Financial forecasts currently indicate that the spending target of £7.3 million will be achieved by the end of the year.

- 3.19 Due to the nature of capital projects it is difficult to predict exactly when financial payments will be made, unlike revenue budgets, which can be profiled accurately. Therefore an accurate assessment of expected spending at this point in time cannot be made. Capital spending has traditionally been concentrated in the latter half of the year, particularly in the last quarter, and this will probably be the case for 2005/06. Some capital projects have significant lead-in times and in other cases there is a need to secure funding approval from other agencies before expenditure is incurred, which can all lead to delays. Future budgetary control reports will be able to provide a clearer picture of progress on the Capital Programme.
- 3.20 In order to raise awareness on the progress of the capital programme regular monitoring reports will be submitted to all future Strategic Working Groups.
- 3.21 In light of the substantial capital resources available as highlighted in paragraph 3.23 below, the Council will be able to maintain its flexible approach to managing the capital programme. As in 2004/05 underspending on key projects, which have commenced or been committed to during the year, will be able to be carried forward into 2006/07.

Capital Resources

- 3.22 Based on current projections the total level of capital resources likely to be available to finance this year's Capital Programme are summarised in the table below. Capital resources are split between those brought forward from 2004/05 and those expected to be received in 2005/06:

Available Capital Resource	Resources Held At 31.03.05 £'000	Anticipated In Year £'000	Total Anticipated Resources £'000
Capital Receipts:			
- RTB's	-	2,188	2,188
- Land Sales	2,587	14,239	16,826
- Other Sales / Receipts	-	14	14
- Section 106 Agreements	137	50	187
Total Capital Receipts	2,724	16,491	19,215
Capital Grants:			
- Single Programme	65	1,311	1,376
- SHIP	-	650	650
- DFG	-	203	203
- Lottery Funding	18	1,066	1,084
- Other Grants #	23	200	233
Total Capital Grants	106	3,430	3,536
Capital Contributions	19	150	169
Supported Capital Borrowing	-	671	671
Major Repairs Allowance [HRA]	-	5,037	5,037
Direct Revenue Financing [HRA]	-	1,875	1,875

Total Available Resources	2,849	27,454	30,303
----------------------------------	--------------	---------------	---------------

includes IEG of £150,000

Financing the Capital Programme

- 3.23 Assuming that revised spending targets are achieved by the 31st March 2006, and that the above capital resources are realised, the financing of the capital programme is likely to be as follows:

	<i>Initial 2005/06 £'000</i>	<i>Revised 2005/06 £'000</i>
Gross Capital Spending Target (1)	15,800	18,700
Financed by:		
Government Allocations:		
- Supported Capital Expenditure	671	671
- Capital Grants and Contributions	335	3,648
- Major Repairs Allowance	5,037	5,037
Capital Receipts	7,882	7,469
Direct Revenue Financing – HRA	1,875	1,875
Total Resources	15,800	18,700

(1) The initial target has been increased to reflect the approved carry forward from 2004/05 and the phasing in of additional grants and contributions secured in respect of specific capital schemes

- 3.24 Assuming the revised spending targets are achieved, there will be unused capital receipts and other resources of around £11.6 million at the end of the financial year which can be used to support future spending commitments. The updated Medium Term Financial Plan to be approved by Cabinet later this year will determine how these resources will be used.

Corporate Policy Implications

- 3.25 This report does not contain proposals that would require any changes to the Council's agreed policy framework and corporate objectives.

4.0 RESOURCE IMPLICATIONS

- 4.1 There are no further resource implications arising from this report. Planned spending commitments are in line with previously approved capital spending programmes set for the Council's portfolios.

5.0 CONSULTATIONS

- 5.1 Comprehensive consultation has previously been held during the construction of the 2005/06 Budget Framework. This report does not contain any proposals or recommendations requiring further consultation.

6.0 OTHER MATERIAL CONSIDERATIONS

- 6.1 There are no other significant material considerations arising from the recommendations contained in this report.

7.0 OVERVIEW AND SCRUTINY IMPLICATIONS

7.1 Consultation and engagement with Overview and Scrutiny Committees has previously been held in development and review of the 2005/06 Budget Framework.

Contact Officer: Brian Allen (Director of Resources)
Telephone No.: 01388-816166 ext. 4003
E-Mail Address: ballen@sedgefield.gov.uk

Ward(s): Not Ward Specific

Background Papers:

1. Report to Council 25.02.05 Budget Framework 2005/06
2. Report to Council 29.06.05 Statement of Accounts 2004/05
3. Report to Cabinet 30.06.05 Promotion of the Regeneration of the Borough – Housing Land Capital Receipts Strategy
4. Report to Cabinet 14.07.05 Children’s Fixed Play Equipment 2005-07
5. Report to Cabinet 30.06.05 Housing Capital and Improvement Works 2005/06
6. Report to Cabinet 31.03.05 Culture and Recreation Capital Programme 2005/06
7. Report to Cabinet 09.12.04 Spennymoor Leisure Centre Gymnastics Centre
8. Report to Cabinet 12.05.05 Resource Management – Capital Programme 2005/06
9. Report to Cabinet 17.02.05 Spennymoor Town Centre – Contract Negotiation
10. Report to Cabinet 04.10.04 Spennymoor Town Centre – Shop Improvements Grants Scheme
11. Report to Cabinet 11.12.03 Spennymoor Town Centre Programme
12. Report to Cabinet 11.11.04 Single Housing Investment Pot Allocation – Ferryhill Station, Dean Bank and Chilton
13. Report to Management Team 25.07.05 Private Sector Housing Capital Programme and Single Housing Investment Programme Round 2

EXAMINATION BY STATUTORY OFFICERS

	YES	NOT APPLICABLE
1. The report has been examined by the Council’s Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council’s S151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council’s Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

This page is intentionally left blank