

# Item 5

## REPORT TO CABINET

24<sup>TH</sup> NOVEMBER 2005

## REPORT OF DIRECTOR OF RESOURCES

**Portfolio: RESOURCE MANAGEMENT**

### **CAPITAL BUDGETARY CONTROL REPORT 2005/2006 POSITION TO 30<sup>TH</sup> SEPTEMBER 2005**

#### **1.0 SUMMARY**

1.1 This is the second Capital Budgetary Control Report under the 2005/06 Budgetary Control Reporting Arrangements reported to Cabinet on the 15<sup>th</sup> September 2005. The report provides a review of the position on the 2005/06 Capital Programme up to 30<sup>th</sup> September 2005. It includes an overview of progress made to date in meeting spending targets, including carry forward approvals from the 2004/05 capital programme, available capital resources and the proposed financing of the programme. The 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) Cabinet consider the six month spend position to 30<sup>th</sup> September 2005 and proposed financing of the Capital Programme;
- (ii) Further reports be submitted to Cabinet detailing the position as at 31<sup>st</sup> December and final outturn as at 31<sup>st</sup> March in line with the Budgetary Control Monitoring Arrangements 2005/06.
- (iii) Detailed reports showing progress on individual capital projects continue to 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 The previous report provided detailed commentary on the initial spending targets for the Capital Programme for 2005/06 and subsequent adjustments made to the Budget in respect of :-
- approved carry forward of underspends from the 2004/05 Programme
  - reduction of the Regeneration Initiatives Programme Budget as a result of delays in receiving capital receipts from land sales
  - use of contingencies approved during the year

- 3.2 It is not intended to repeat any of the information already reported in the previous report. This report will instead focus on any further developments since the last report and provide an updated position on the Capital Programme at the half year stage.
- 3.3 It is important to note that the approved net budget for the Capital Programme shows only the use of the Council's own resources towards capital spending. However, the Council is committed to securing external funding to support and enhance its overall Capital Programme in the form of government grant approvals, lottery funding and other grants and contributions. The total (gross) level of capital spending is therefore significantly higher once this external funding has been taken into account. A number of additional grants and contributions have been secured since the last report and these have been reflected in the Budget table below.
- 3.4 The following table shows the original 2005/06 Capital Programme as approved by Council, the approved carry forward from 2004/05 which is added to give the revised Net Capital Programme approval for the year and also 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 £'000	Approved Carry Forward from 2004/05 £'000	Revised Net Budget £'000	Approved External Funding £'000	Gross Budget 2005/06 £'000
Resource Management:					
- ICT <sup>^</sup>	1,000	323	1,323	50	1,373
- Green Lane	175	-	175	-	175
- Chilton Depot <sup>~</sup>	76	56	132	-	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 <sup>#</sup>	2,500	554	3,054	-	3,054
Contingency Sum <sup>*~</sup>	69	-	69	-	80
<b>Total General Fund</b>	<b>6,300</b>	<b>1,602</b>	<b>7,902</b>	<b>3,498</b>	<b>11,400</b>
Housing Revenue Account	7,000	300	7,300	-	7,300
<b>Total</b>	<b>13,300</b>	<b>1,902</b>	<b>15,202</b>	<b>3,498</b>	<b>18,700</b>

<sup>^</sup> Includes £150,000 IEG Funding

<sup>~</sup> Includes £10,800 transferred from Contingency Sum to Chilton Depot

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

<sup>#</sup> £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

- 3.5 As previously reported, the £5 million special provision for capital spending on affordable housing and regeneration projects has been restricted to £2.5 million (plus £554,000 carry forward from 2004/05) as a result of delays experienced in receiving capital receipts from land sales.
- A report by the Head of Strategy and Regeneration setting out the proposed development and implementation of this Programme was approved by Management Team and Cabinet in June 2005.

The report recommended that implementation of the Regeneration Initiatives Programme is undertaken in two specific strands and the Budget for 2005/06 has been split on this basis:

- Area Programmes and Strategic Investments £1,400,000
- Local Area Improvement Programme £700,000

There is also a provision for fees and staffing costs of £400,000.

A number of projects have now been committed to and approved by Cabinet in respect of this Regeneration Initiatives Provision. The current position in respect of this Budget is summarised below:

Playground Equipment Programme	£350,000
Gymnastics Centre Contribution	£554,400
Sure Start Centres Contribution	£75,000
Unallocated Resources	£2,074,600
<b>Total Programme</b>	<b>£3,054,000</b>

The Head of Strategy and Regeneration is currently considering the staffing structure that will be required to move the major Regeneration Programme forward and a report will be brought to Cabinet shortly. Until the structure is fully implemented it will be difficult to make progress on project development. It is likely therefore that much of the unallocated resources will remain unspent in 2005/06.

- 3.6 External grant funding totalling £56,000 from the Countryside Agency in respect of a Countryside Management capital project at Ferryhill Carrs has recently been confirmed. The funding will be utilised alongside Council funding to enhance access and construct new pathways on the site.
- 3.7 The tender in respect of the construction of the Sure Start Centres at Shildon and Newton Aycliffe has now been awarded and works are expected to commence on site in the near future. The total value of the works is estimated to be around £1,250,000 of which £998,000 is being met from Sure Start Grant, £177,000 from other partners and £75,000 from the Regeneration Initiatives Budget.
- 3.8 Significant external funding has been secured in respect of the Economic Development Capital Programme from a number of sources including Single Programme Grant, private sector contributions and contributions from Durham County Council. This will allow an enhanced programme of works to be carried out in respect of the Council's Industrial Estates.

## Revised Capital Programme and Actual Spend to 30<sup>th</sup> September 2005

3.9 As a result of adjustments described above and the approval of additional external funding, the revised gross spending target for 2005/06 has been increased to £20.1 million, although this may be regarded as optimistic bearing in mind the comments made earlier in relation to the major Regeneration Programme. A summarised statement of actual gross spend to 30<sup>th</sup> September 2005 across all portfolios is shown as follows:

Portfolio	Revised Gross Budget £'000	Actual Gross Spend £'000
Resource Management:		
- ICT	1,373	286
- Green Lane	175	104
- Depot	132	95
Culture and Recreation	1,884	756
Regeneration	2,368	387
Economic Development	659	6
General Fund Housing	1,668	432
Community Safety	56	-
Environment	120	51
Supporting People	1,245	15
Regeneration Initiatives	3,054	1
General Contingency	69	-
<b>Total General Fund</b>	<b>12,803</b>	<b>2,133</b>
Housing Revenue Account	7,300	3,348
<b>Total</b>	<b>20,103</b>	<b>5,481</b>

3.10 A gross total of £5.481m has been spent in the first four months to 30<sup>th</sup> September 2005 or 27% of the revised gross Capital Programme. Grants and contributions totalling £1.3 million have been received in the year to date resulting in a net spend position of £4.1 million or 27% of the net Capital Programme of £15.2 million.

The previous report detailing the position as at the 31<sup>st</sup> July 2005 showed gross capital spend of £3.3 million. An additional £2.2 million has therefore been spent in the last 2 months up to the half year stage.

### Capital Programme Monitoring

3.11 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. Capital spending has traditionally been concentrated in the latter half of the year, particularly in the last quarter. It is recognised that 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. However, all capital budget holders should endeavour to avoid a heavy concentration of project work required late in the financial year. It is likely that earlier implementation of contracting arrangements would help secure enhanced value for money on capital works.

- 3.12 The December budgetary control report will be able to provide a clearer and more detailed picture of progress on the Capital Programme. In order to raise awareness of the position on the Capital Programme detailed financial monitoring reports showing progress on individual Portfolio's Capital Programmes will continue to be submitted to all future Strategic Working Groups.
- 3.13 In light of the substantial capital resources available as highlighted in paragraph 3.14 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

- 3.14 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:

<i>Available Capital Resource</i>	<i>Resources Held At 31.03.05 £'000</i>	<i>Anticipated In Year £'000</i>	<i>Total Anticipated Resources £'000</i>
Capital Receipts:			
- RTB's	-	2,462	2,462
- Land Sales	2,587	14,042	16,629
- Other Sales / Receipts	-	44	44
- Section 106 Agreements	137	50	187
<b>Total Capital Receipts</b>	<b>2,724</b>	<b>16,598</b>	<b>19,322</b>
Capital Grants:			
- Single Programme	65	1,296	1,361
- SHIP	-	650	650
- DFG	-	203	203
- Lottery Funding	18	1,066	1,084
- Sure Start Grant	-	998	998
- Other Grants #	-	200	200
<b>Total Capital Grants</b>	<b>83</b>	<b>4,413</b>	<b>4,496</b>
<b>Capital Contributions</b>	<b>19</b>	<b>721</b>	<b>740</b>
<b>Supported Capital Borrowing</b>	<b>-</b>	<b>671</b>	<b>671</b>
<b>Major Repairs Allowance [ HRA ]</b>	<b>-</b>	<b>5,037</b>	<b>5,037</b>
<b>Direct Revenue Financing [ HRA ]</b>	<b>-</b>	<b>1,875</b>	<b>1,875</b>
<b>Total Available Resources</b>	<b>2,826</b>	<b>29,315</b>	<b>32,141</b>

# includes IEG of £150,000

## Financing the Capital Programme

- 3.15 Assuming that revised spending targets are achieved by the 31<sup>st</sup> 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>
<b>Gross Capital Spending Target (1)</b>	<b>15,800</b>	<b>20,103</b>
<b>Financed by:</b>		
Government Allocations:		
- Supported Capital Expenditure	671	671
- Capital Grants and Contributions	335	5,236
- Major Repairs Allowance	5,037	5,037
Capital Receipts	7,882	7,284
Direct Revenue Financing – HRA	1,875	1,875
<b>Total Resources</b>	<b>15,800</b>	<b>20,103</b>

*(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*

- 3.16 Assuming the revised spending targets are achieved, there will be unused capital receipts and other resources of around £12 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

- 3.17 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.

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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
14. Report Cabinet 15.09.05 Capital Budgetary Control Report 2005/2006 – Position to 31<sup>st</sup> July 2005
15. Report to Cabinet 27.10.05 Regeneration Services Capital Programme 2005/06
16. Report to Management Team 22.08.05 – Budgetary Control Monitoring Arrangements 2005/06

### 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"/>

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