

Item 8

REPORT TO CABINET

16th NOVEMBER 2006

REPORT OF HEAD OF FINANCIAL SERVICES

BUDGETARY CONTROL REPORT 2006/2007

CAPITAL PROGRAMME EXPENDITURE AND FINANCING POSITION TO 30TH SEPTEMBER 2006

1.0 SUMMARY

- 1.1 This report provides a review of the position on the 2006/2007 Capital Programme as at 30th September 2006. This is the second Capital Budgetary Control Report following the 2006/07 Budgetary Control Reporting Arrangements reported to Management Team on the 10th July 2006.
- 1.2 It includes an overview of progress made to date in meeting spending targets, including carry forward approvals from the 2005/06 capital programme, summarises the available capital resources for financing the programme and based on the estimated outturn, sets out the proposed financing of the programme in 2006/07.
- 1.3 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) Management Team note the half year spend position to 30th September 2006 and proposed financing of the Capital Programme;
- (ii) Further reports be submitted to Management Team, Cabinet and all Strategic Working Groups detailing the position as at 31st December and final outturn as at 31st March in line with the Budgetary Control Monitoring Arrangements 2006/2007.

3.0 CAPITAL SPEND AND RESOURCES MONITORING 2006/2007

Initial Spending Targets / Revised Capital Programme Budget

- 3.1 The Capital Programme for 2006/2007 was approved by Council on the 24th February 2006 as part of the overall Budget Framework 2006/2007. The original net budget was set at £15,650,000 and allocated across all Council portfolios. The budget included £4,400,000 for the General Fund Programme, £7,800,000 for the Council Housing Programme and a £3,450,000 special provision for Major Regeneration Initiatives, to be financed from the capital receipts received in respect of the recent land sales in Newton Aycliffe.
- 3.2 The Capital Programme out-turn position for 2005/2006 was reviewed by Cabinet on the 29th June 2006. That report identified an underspend of £3.8

million on the 2005/2006 budget and a number of outstanding commitments totalling £1.98 million were identified for carry forward into 2006/2007. These carry forward requests were subsequently approved by Council on 30th June 2006, when revised spending targets were agreed.

- 3.3 An additional request was since received to re-phase the resources set aside for the 2006/07 Local Improvement Programme within the Major Regeneration Programme. The additional resources totalling £116,750 were detailed in the previous report and have now been approved by Cabinet.
- 3.4 The approved Capital Programme shows the use of the Council's own resources towards capital spending along with any grants already secured when the Budgets were approved.
- 3.5 However, the Council has traditionally been successful in securing significant levels of additional external funding towards its Capital Programme during the year in the way of government grant approvals, lottery funding and other grants and contributions. This has again proved the case during the first half of this year and the total or gross budget for capital spending is therefore significantly higher once this additional external funding has been taken into account.
- 3.6 The following table shows the original approved 2006/2007 Capital Programme, together with the carry forward commitments from 2005/2006. The table also shows all approved external funding secured to date and the total Gross Budget reflecting the total capital resources available for the year:

Portfolio / Capital Programme	Original Approved Net Budget £'000	Approved Carry Forward £'000	Revised Net Budget £'000	Additional External Funding £'000	Gross Budget £'000
Strategic Leadership:					
- ICT	900	635	1,535	20	1,555
- Green Lane	240	-	240	-	240
- Chilton Depot	90	16	106	-	106
- LPSA Initiatives	-	-	-	67	67
Healthy Borough:					
- Community Health	25	14	39	658	697
- Leisure and Culture	600	48	648	406	1,054
Prosperous Borough:					
- Social Regeneration	300	518	818	1,081	1,899
- Learning & Employment	300	281	581	555	1,136
- Major Regeneration	3,450	518	3,968	-	3,968
Attractive Borough:					
- Environment	70	-	70	36	106
Strong Communities:					
- Housing (HRA)	7,800	-	7,800	33	7,833
- Housing (General Fund)	1,800	-	1,800	115	1,915
- Safer Communities	75	67	142	55	197
Total	15,650	2,097	17,747	3,026	20,773

The original approved net budget already takes into account the following capital grants and allowances:-

	£'000
Major Repairs Allowance	5,043
Supported Capital Expenditure Allowance	213
Disabled Persons Facilities Grant	240
SHIP Grant	1,196
Total	6,692

Since, the budget was approved, a further £3 million of external funding has been secured as highlighted in the table above. More information and breakdown of this additional external funding, is detailed in the following section of the report, which sets out progress to date and any new developments on each individual Portfolio's Programme.

Progress on Capital Programme / Developments during 2006/2007

- 3.6 This section of the report summarises the key issues and developments on each Portfolio's Capital Programme Budgets that have arisen since the original spending targets for 2006/07 were approved.

Strategic Leadership

A full breakdown of the ICT and Green Lane Capital Programme Budgets for 2006/07 was reported to Cabinet on 13th April 2006.

In addition to the approved carry forward of unspent commitments from 2005/06 of £635,000, the ICT Budget also benefits from the carry forward of unspent Integrated Support Unit (ISU) grant from 2005/06 of £20,000. This will be utilised in helping to fund the project management of this capital programme.

The Council will also benefit from the Local Public Service Agreement (LPSA1) Grant in 2006/07 and 2007/08 of which approximately £67,000 must be set aside for capital expenditure in each of the next two years. A report on how these resources will be utilised will be presented to Cabinet in due course.

Healthy Borough - Community Health

The Community Health Capital Programme Budget of £39,000 is set aside for Supporting Independent Living Initiatives.

The above budget includes an approved carry forward of unspent resources from 2005/06 of £13,700 which is to be used to provide match funding in respect of the County Assistive Technology Programme to Support Independent Living.

This will enable the Council to access the £350,000 Preventative Technology Grant, which is being administered by the Durham County Council Social Care and Health. A report on how these resources will be utilised will be presented to Cabinet once the arrangements for allocating and claiming grant have been put in place.

This Portfolio also includes the construction of the Sure Start Centres in Shildon and Newton Aycliffe which are being funded mainly from external grants and contributions. The Council is contributing £75,000 towards these projects and this contribution is being financed from the Major Regeneration Budget.

A significant proportion of the work in respect of this project was completed during 2005/06 and both buildings are now completed and in full operational use.

The external funding carried forward into 2006/07 includes £386,000 Sure Start Grant and £272,000 in respect of other contributions including Durham County Council and Sedgefield PCT towards the project. The funding will be used to meet outstanding contract payments, other works and retentions due in 2006/07 and 2007/08.

Healthy Borough - Leisure & Culture

A detailed breakdown of the Leisure and Culture Capital Programme Budget was reported to Cabinet on 30th March 2006. The mainstream Leisure and Culture Budget of £647,650 is mainly set aside against asset management plan works in the four Leisure Centres.

Also included under this Portfolio is the Gymnastics Centre project at Spennymoor Leisure Centre, which was successfully completed and opened in 2005/06. However, the project is not yet financially complete and there are a number of outstanding costs and retentions that are due to be paid during 2006/07.

Any costs incurred in 2006/07 will be funded from a £150,000 contribution due from Competition Line, with the balance to be met from the Major Regeneration Initiatives Programme.

In addition, the Playground Equipment Programme, which is also being funded from the Major Regeneration Initiatives Budget, will continue throughout 2006/07. Projects are due to commence in a large number of locations throughout the Borough including Newton Aycliffe, Chilton, Tudhoe, Eldon and Trimdon. In addition to the allocation from the Major Regeneration Budget of £513,000, a bid has been made for funding from the Big Lottery Fund totalling £230,000. A decision on the outcome of this bid is expected shortly. This programme also benefits from a contribution from Groundwork of £25,000.

Prosperous Borough - Social Regeneration & Learning and Employment

A detailed breakdown of the Social Regeneration and Learning and Employment Capital Programme Budgets (formerly Regeneration and Economic Development) was reported to Cabinet on 15th June 2006.

This Programme continues to benefit from significant levels of external funding.

Single Capital Programme Grant totalling £668,000 has been brought forward from 2005/06 in respect of the major schemes currently being undertaken in Spennymoor Town Centre. An allocation of £216,000 is also available in 2006/07 towards the major programme of works being undertaken on Aycliffe Industrial Park.

In addition, grants from the Countryside Agency and English Nature totalling £57,000 have been secured in respect of Countryside Management Initiatives

The Council will also benefit from Planning Delivery Grant (PDG) in 2006/07 of £116,000 including £44,500 unspent grant brought forward from 2005/06, which must be set aside for capital expenditure. A report on how these resources will be utilised will be presented to Cabinet in due course. During the current year, resources amounting to £50,000 will be spent on a document imaging system.

Significant match funding contributions have also been secured from Council partners such as Durham County Council and Groundwork East Durham and from the private sector in respect of specific capital schemes. These contributions total £579,200.

Prosperous Borough - Major Regeneration

The development of this Capital Programme was delayed during 2005/06 pending the recruitment of the Regeneration Capital Programme Team within the Chief Executives Department and approval of the Regeneration Master Plan.

Significant progress has been made in recruiting relevant staff for the Section and the posts of Programme Manager, Programme Development and Appraisal Officer and Community Project Development Officer posts have now been filled. With the recruitment of the appropriate staff and approval of the Master Plan, it is now expected that significant progress on this Programme will now be made during the remainder of 2006/07.

The Programme Budget for 2006/2007 has been broken down into the following broad areas:-

Area Programmes and Strategic Investments	£1,713,000
Local Improvement Programmes	£1,267,000
Other Portfolio Schemes*	£751,000
Capital Programme Team	£237,000
Total Budget	£3,968,000

Further details on the Local Improvement Programme and Area Programmes and Strategic Investments were detailed in the reports to Cabinet on the 30th June 2005 and 8th December 2005.

** Playground Equipment Programme, Gymnastics Centre, Sure Start Centres*

Attractive Borough - Environment

The Environment Capital Programme Budget of £70,000 is expected to be utilised mainly on the replacement of domestic and trade waste bins and the purchase of additional dog and litter bins.

The Council will also benefit from DEFRA grant funding in respect of recycling initiatives in 2006/07 and 2007/08, of which approximately £35,000 must be set aside each year for capital expenditure. A report on how these resources will be utilised will be presented to Cabinet in due course.

Strong Communities - Council Housing

The significant areas of the Council Housing Capital Programme Budget of £7,800,000 for 2006/2007 were all designed to help the Council achieve the Government's Decent Homes Standard.

A report outlining how available housing capital resources are to be aligned to spending programmes in order to achieve the Decent Homes targets by 2010 was considered by Cabinet on 16th March 2006.

This Budget also benefits from funding from Scottish Power totalling £33,000 towards the costs of Cavity Wall Insulation works to Council Housing.

Strong Communities – Private Sector Housing

A detailed breakdown of the Private Sector Housing Capital Programme Budget was reported to Cabinet on 13th July 2006.

The Private Sector Housing Capital Programme was significantly boosted this year by the approval of £1,196,000 from the Regional Housing Board's Single Housing Investment Pot (SHIP). The Council has also been awarded Disabled Facilities Grant (DFG) totalling £240,000. These grants were built into the original approved net budget of £1,800,000. A total of £1,416,000 SHIP funding has also been approved for 2007/08.

A detailed report was presented to Management Team in May 2006 highlighting how these resources will be utilised in tackling private sector housing suffering from market failure. Ferryhill Station, Dean Bank and Chilton have already been identified as three priority areas.

The Programme has since been increased by a further £15,400 unspent DFG brought forward from 2005/06 and a provision for repaid DFG's during the year of £100,000.

This Programme also benefited from an approval from the Council's Major Regeneration Initiatives Capital Budget totalling £1,600,000 for 2006/07 in respect of the delivery of the SHIP Masterplan, although it is anticipated that the majority of the works comprising the three year Masterplan will take place from 2007/08 to 2009/10 and that the full allocation from the Regeneration Budget will not be required this year.

Strong Communities – Safer Communities

A report outlining the Safer Communities Capital Programme for 2005/06 to 2006/07, which was linked to the outcomes of a review of the CCTV service was reported to Cabinet on 16th February 2006.

Following on from the conclusions and recommendations of the review regarding the urgent investment required in relation to a replacement CCTV matrix and generator and the creation of a new secure plant room for the control room, Cabinet approved a revised Safer Communities Capital Programme Budget for 2005/06 and 2006/07 of £193,000.

Any unspent resources from 2005/06 would therefore form the basis of the 2006/07 Capital Programme. On this basis, the 2006/07 Budget is £142,000.

In addition, a contribution of £55,000 has been received from the Public Transport Group in respect of the installation of CCTV cameras at Newton Aycliffe and Bishop Auckland Rail Stations.

Revised Capital Programme and Actual Spend to 30th September 2006

- 3.7 The adjustments explained above have resulted in a gross spending target of £20.766 million for 2006/07. A summarised statement of actual spend to 30th September 2006 across all portfolios is shown as follows:

Portfolio	Revised Gross Budget £'000	Actual Gross Spend £'000	% Gross Budget Spent
Strategic Leadership:			
- ICT	1,555	402	26%
- Green Lane	240	79	33%
- Chilton Depot	106	34	32%
- LPSA	67	-	0%
Healthy Borough:			
- Community Health	697	556	80%
- Leisure and Culture	1,028	624	61%
Prosperous Borough:			
- Social Regeneration	1,899	154	8%
- Learning & Employment	1,136	51	4%
- Major Regeneration	3,994	453	11%
Attractive Borough:			
- Environment	106	15	14%
Strong Communities:			
- Housing (HRA)	7,833	2,593	33%
- Housing (General Fund)	1,915	841	44%
- Safer Communities	197	120	61%
Total	20,773	5,922	29%

- 3.8 A gross total of £5.922m has been spent in the first six months to 30th September 2006 or 29% of the gross capital programme budget of £20.773m. (The position as at 31st July as per the previous report was expenditure of £4.4m or 20% of the gross budget). Limited progress has therefore been made over the last two months on meeting capital programme spending targets.
- 3.9 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 fairly accurately. An accurate assessment of expected spending at this stage in the year cannot therefore be made. Capital spending has traditionally been concentrated in the latter half of the year, particularly in the last quarter, and this is again likely to be the case for 2006/07.

Some capital projects have significant lead-in times, major programmes of works may require a dedicated staffing resource and in other cases there may be a need to secure funding approval from other agencies before expenditure is incurred. All of these issues can all lead to delays in capital projects. As a result, it is anticipated that in some areas of the Programme, that spending targets may not be achieved. There is likely to be a requirement to carry forward resources to 2007/2008. The December Budgetary Control Report will

be able to provide a clearer picture of progress on the 2006/2007 Capital Programme.

- 3.10 In light of the substantial capital resources available as highlighted in paragraph 3.11 below, the Council will be able to maintain its flexible approach to managing the capital programme. As in 2005/2006, underspends on key capital projects, which have already commenced or been committed to during the year, will be able to be carried forward into 2007/2008.

Capital Resources Available

- 3.11 Based on current projections the total level of capital resources likely to be available to finance this year's (and future years) Capital Programme are summarised in the table below. Capital resources are split between those brought forward from 2005/06 and those expected to be received in 2006/07:

Available Capital Resource	Brought Forward Resources £'000	Received/ Anticipated In Year £'000	Total Anticipated Resources £'000
Capital Receipts:			
- Right To Buys	2,311	1,770	4,081
- Housing Land Sales	12,824	3,025	15,849
- General Fund Receipts	16	575	591
- Section 106 Agreements	166	60	226
Total Capital Receipts	15,317	5,430	20,747
Capital Grants:			
- Single Programme	-	884	884
- SHIP	-	1,196	1,196
- DFG	15	240	255
- Lottery	-	230	230
- Sure Start	387	-	387
- Other Grants	20	275	295
Total Capital Grants	422	2,825	3,247
Capital Contributions	107	1,109	1,216
Supported Capital Expenditure	-	213	213
Major Repairs Allowance (HRA)	-	5,043	5,043
Direct Revenue Financing (HRA)	-	1,744	1,744
Use of Asset Management Fund	-	100	100
Use of HRA Balances	-	500	500
Total Available Resources	15,846	16,964	32,810

Financing the Capital Programme

- 3.12 Assuming that revised spending targets are achieved at the year-end, and that the above capital resources are realised, the financing of the 2006/07 capital programme is likely to be as follows:

	Initial 2006/07 £'000	Revised* 2006/07 £'000
Gross Capital Spending Target *	15,650	20,773
Financed by:		
Government Allocations:		
- Supported Capital Expenditure	213	213
- Capital Grants and Contributions	1,400	4,463
- Major Repairs Allowance	5,043	5,043
Capital Receipts		
- General Fund	755	755
- Housing	2,145	3,687
- Regeneration	3,750	4,268
Direct Revenue Financing – HRA	1,744	1,744
Use of HRA Balances	500	500
Use of Asset Management Fund	100	100
Total Resources	15,650	20,773

** The target has been increased to reflect the approved carry forward from 2005/06 and the phasing in of additional grants and contributions secured in respect of specific capital schemes*

- 3.13 Assuming the revised spending targets are achieved, there would be unused capital receipts and other resources of around £12 million available at the end of the financial year which can be used to support future spending commitments which is broadly in line with estimations made in the Medium Term Financial Plan.

However, it should be noted that around £11 million of this figure relates to Housing Land Sales and must therefore be ring-fenced against capital schemes meeting the Regeneration or Affordable Housing definitions, leaving only £1 million available to support General Fund Programmes in later years.

Estimates of the future capital receipts and other resources available to fund Capital Programme requirements in 2007/2008 and beyond are detailed in the Medium Term Financial Plan.

4.0 CORPORATE POLICY CONSIDERATIONS

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

5.0 RESOURCE IMPLICATIONS

- 5.1 There are no further resource implications arising from this report.

6.0 CONSULTATIONS

6.1 Comprehensive consultation has previously been held during the construction of the 2006/2007 Budget Framework. This report does not contain any proposals or recommendations requiring further consultation.

7.0 OTHER MATERIAL CONSIDERATIONS

7.1 *Links to Corporate Objectives/Values*

The Council's Corporate Objectives and Values have guided the preparation of the 2006/2007 Budget Framework throughout. Resource availability has been fully re-assessed and directed to assist in achieving the Council's key priorities as set out in the Corporate Plan. Particular emphasis has been placed on the following Corporate Values:-

- *Be responsible with and accountable for public finances.*
- *Consult with service users, customers and partners.*

7.2 *Risk Management*

There have been no further risks identified other than those highlighted in paragraph 3.9 and in the report to Council on the 24th February 2006.

7.3 *Health and Safety*

No additional implications have been identified.

7.4 *Equality and Diversity*

No material considerations have been identified.

7.5 *Legal and Constitutional*

The Budget Framework has been prepared in accordance with the Council's Constitution and full account has been taken of new statutory requirements. No other legal or constitutional implications have been identified.

8.0 OVERVIEW AND SCRUTINY IMPLICATIONS

8.1 Consultation and engagement with Overview and Scrutiny Committees has previously been held in development and review of the 2006/2007 Budget Framework.

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Ward(s): Not Ward Specific

Background Papers:

- 1. Report to Council 24.02.06 Budget Framework 2006/2007**
- 2. Report to Council 30.06.06 Statement of Accounts 2006/2007**
- 3. Report to Management Team 10.07.06 – Budgetary Control Monitoring Arrangements 20062007**
- 4. Report to Cabinet 30.03.06 Culture and Recreation Capital Programme 2006/2007**
- 5. Report to Cabinet 13.04.06 Resource Management Capital Programme 2006/2007**

6. Report to Cabinet 13.04.06 ICT Capital Programme 2006/2007
7. Report to Cabinet 15.06.06 Regeneration Services Mainstream Capital Programme 2006/2007
8. Report to Cabinet 16.02.06 – Community Safety Capital Programme 2005/06-2006/07
9. Report to Cabinet 16.03.06 Housing Capital Programme and Repairs and Maintenance Service – Review of Future Programmes of Work and Procurement of Service 2006-2010
10. Report to Cabinet 13.7.06 - Private Sector Housing Capital Programme and Single Housing Investment Programme Round 2
11. Report to Cabinet 14.07.05 Children’s Fixed Play Equipment 2005-07
12. Report to Cabinet 08.12.05 Chief Executives Department Staffing Establishment – Strategy & Regeneration – Housing Land Capital Receipts Strategy
13. Report to Cabinet 30.06.05 Promotion of the Regeneration of the Borough – Housing Land Capital Receipts Strategy
14. Report to Cabinet 19.01-06 – Progress Report – Gymnastics Centre
15. Report to Cabinet 14.9.06 – Budgetary Control Report – Capital Programme Expenditure and Financing Position to 31st July 2006

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils S.151 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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