

Item 10

REPORT TO CABINET

27th SEPTEMBER 2007

REPORT OF DIRECTOR OF RESOURCES

BUDGETARY CONTROL REPORT 2007/2008

CAPITAL PROGRAMME EXPENDITURE AND FINANCING POSITION TO 31ST JULY 2007

1.0 SUMMARY

- 1.1 This report provides a review of the position on the 2007/08 Capital Programme as at 31st July 2007.
- 1.2 It includes an overview of progress made to date in meeting spending targets, details the carry forward approved by Council of commitments unspent on the 2006/07 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 2007/08.
- 1.3 The report also outlines any new developments that have occurred since Council approved the 2007/08 Capital Programme Budget in February 2007.

2.0 RECOMMENDATIONS

It is recommended that:

- (i) Cabinet notes the four month spend position to 31st July 2007;
- (ii) Further reports be submitted to Management Team, Cabinet and all Strategic Working Groups detailing the position as at 30th September, 31st December and final outturn as at 31st March in line with the Budgetary Control Monitoring Arrangements 2007/08 reported to Management Team on 2nd April 2007.

3.0 CAPITAL SPEND AND RESOURCES MONITORING 2007/08

Initial Spending Targets / Revised Capital Programme Budget

- 3.1 The Capital Programme for 2007/08 was approved by Council on the 27th February 2007 as part of the overall Budget Framework 2007/08. A total budget of £20,000,000 was set and allocated across all Council portfolios. The budget includes £5,160,000 for the General Fund Programme, £8,400,000 for the Council Housing Programme and a £6,240,000 special provision for Major Regeneration Initiatives, to be financed from capital receipts.

3.2 The Capital Programme outturn position for 2006/07 was reviewed by Cabinet on the 5th July 2007. That report identified an underspend of £5.216 million on the 2006/07 budget and a number of outstanding commitments totalling £3.81 million were identified for carry forward into 2007/08 and £209,000 to carry forward to 2008/09. These carry forward requests were subsequently approved by Council on 5th July 2007, when revised spending targets were agreed.

3.3 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. 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. The total level of capital spending is therefore likely to be significantly higher once any additional external funding has been taken into account.

3.4 The following table shows the original approved 2007/08 Capital Programme, together with the carry forward commitments from 2006/07. 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	770	829	1,599	-	1,599
- Green Lane	350	-	350	-	350
- Chilton Depot	80	6	86	-	86
Healthy Borough:					
- Community Health	70	14	84	-	84
- Leisure and Culture	715	164	879	-	879
Prosperous Borough:					
- Social Regeneration	400	388	788	82	870
- Learning & Employment	200	162	362	-	362
- Major Regeneration #	6,240	1,772	8,013	-	8,013
Attractive Borough:					
- Environment	20	18	38	-	38
- Planning & Development	120	-	120	20	140
Strong Communities:					
- Housing (HRA)	8,400	343	8,743	-	8,743
- Housing (General Fund)	2,335	83	2,418	-	2,418
- Safer Communities	100	31	131	-	131
Contingency	200	-	200	-	200
Total	20,000	3,810	23,811	102	23,913

3.5 The approved net budget already takes into account the following capital grants:-

	£'000
Major Repairs Allowance	5,061
Supported Capital Expenditure Allowance	213
Disabled Persons Facilities Grant	150
SHIP Grant	1,300
Total	6,724

Progress on Capital Programme / Developments during 2007/08

3.6 This section of the report summarises all known developments on each Portfolio's Capital Programme Budgets that have arisen since the original spending targets for 2007/08 were approved.

3.6.1 Strategic Leadership

A full breakdown of the ICT and Green Lane Capital Programme Budgets for 2006/07 was reported to Cabinet on 26th April 2007.

In addition to the ICT approved budget of £770,000 there is a carry forward of £829,000 to meet ongoing commitments from 2006/07.

The Capital Programme budget for Council Offices, Green Lane is £350,000 and the plan of works includes mechanical and electrical improvements, window replacements, the refurbishment of the boiler house, and refurbishment of the toilets.

The budget for Chilton Depot Capital Programme 2007/08 consisting of £80,000 approved for 2007/08 and a carry forward of £6,000 from 2006/07, has been allocated to works to the depot and miscellaneous plant and equipment replacement.

3.6.2 Healthy Borough - Community Health

The Community Health Capital Programme Budget of £70,000 is set aside for initiatives which will support older person and vulnerable adults living an independent life.

In addition to the above budget an approved carry forward of unspent resources from 2006/07 of £13,700 will be used to provide match funding in respect of the County Assistive Technology Programme to Support Independent Living.

3.6.3 Healthy Borough - Leisure & Culture

A detailed breakdown of the Leisure and Culture Capital Programme Budget was reported to Cabinet on 15th March 2007.

The Gymnastics Centre at Spennymoor Leisure Centre 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 due to be

paid during 2007/08. Cabinet have previously been made aware of the cost overrun on this scheme and legal advice continues to be sought as regard the recovery of such costs.

The Playground Equipment Programme, funded from the Major Regeneration Initiatives Budget, will continue throughout 2007/08 and a further £100,000 has been allocated to play sites in Bishop Middleham and Middridge.

An application for a Big Lottery Grant of £210,000 has been made and sites at Dean Bank, Fishburn and West Cornforth have been identified in the play strategy should this application be successful.

3.6.4 Prosperous Borough - Social Regeneration & Learning & Employment

A detailed breakdown of the Social Regeneration and Learning and Employment Capital Programme Budgets (formerly the Regeneration and Economic Development Capital Programmes) was reported to Cabinet on 7th June 2007.

This Programme continues to benefit from significant levels of external funding. Single Capital Programme Grant totalling £81,700 has been brought forward from 2007/08 in respect of the major schemes currently being undertaken in Spennymoor Town Centre.

Investment has been prioritised towards the maintenance of an attractive supply of industrial land and premises and inward employment generating projects.

3.6.5 Prosperous Borough - Major Regeneration

The Programme Budget for 2007/08 has been broken down into the following broad areas:-

Other Portfolio Schemes*	£860,000
Housing Market Renewal	£3,000,000
Local Improvement Programmes	£1,265,000
Capital Programme Team	£221,000
Area Programme & Strategic Investments	£894,000
Total Budget	£6,240,000

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, Arts Resource Development and Locomotion Derelict Land Schemes.*

3.6.6 Attractive Borough – Environment

The Environment Capital Programme Budget of £38,000 is expected to be utilised mainly on the replacement of domestic and trade waste bins and the purchase of additional dog and litter bins.

3.6.7 Attractive Borough – Planning and Development

The Planning and Development Capital Programme for 2007/08 has an approved budget of £120,000 which is split between Countryside Management and Planning and Conservation Schemes.

3.6.8 Strong Communities - Council Housing

The significant areas of the Council Housing Capital Programme in 2007/08 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 26th April 2007.

3.6.9 Strong Communities – Private Sector Housing

A detailed breakdown of the Private Sector Housing Capital Programme Budget was reported to Cabinet on 7th June 2007.

The General Fund Housing Capital Programme was significantly boosted this year by the approval of £1,600,000 from the Regional Housing Board's Single Housing Investment Pot (SHIP). The Council has also been awarded Disabled Facilities Grant (DFG) totalling £150,000. These grants were built into the original approved net budget of £2,335,000.

A detailed report was presented to Management Team in June 2007 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 £83,000 brought forward from 2006/07 to meet ongoing commitments relating to Strategic Interventions.

3.6.10 Strong Communities – Safer Communities

A report outlining the Safer Communities Capital Programme for 2007/08 was reported to Cabinet on 7th February 2007.

The approved budget for the 2007/08 Capital Programme is £100,000 which will be used to improve the CCTV coverage within the Borough in order to reduce the fear of crime and promote safer communities.

In addition, £31,000 representing the unspent element of the £50,000 contribution from the Public Transport Group in respect of the installation of CCTV cameras at Newton Aycliffe and Bishop Auckland Rail Stations has been carried forward from 2006/07.

Revised Capital Programme and Actual Spend to 31st July 2007

- 3.7 The adjustments explained above have resulted in a revised spending target of £23.913 million for 2006/07. A summarised statement of actual spend to 31st July 2007 across all portfolios is shown as follows:

Portfolio	Revised Gross Budget £'000	Actual Gross Spend £'000	% Gross Budget Spent
Strategic Leadership:			
- ICT	1,599	192	12%
- Green Lane	350	25	7%
- Chilton Depot	86	1	1%
Healthy Borough:			
- Community Health	84	22	26%
- Leisure and Culture	879	412	47%
Prosperous Borough:			
- Social Regeneration	890	131	15%
- Learning & Employment	362	130	36%
- Major Regeneration	8,013	1,003	13%
Attractive Borough:			
- Environment	38	22	58%
- Planning and Development	120	50	42%
Strong Communities:			
- Housing (HRA)	8,743	1,857	21%
- Housing (General Fund)	2,418	662	27%
- Safer Communities	131	23	18%
Contingency	200	-	
Total	23,913	4,530	19%

- 3.8 A gross total of £4.53 million has been spent in the first four months to 31st July 2007 or 19% of the gross capital programme budget of £23.913 million.
- 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 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 is again likely to be the case for 2007/08. 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. The Budgetary Control Reports later in the year will be able to provide a clearer picture of progress on the 2007/08 Capital Programme.
- 3.10 In light of the substantial capital resources available as highlighted in paragraph 3.12 below, the Council will be able to maintain its flexible approach to managing the capital programme. As in 2006/07, underspends on key capital projects, which have commenced or been committed to during the year, will be able to be carried forward into the next financial year.

Capital Resources

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 2006/07 and those expected to be received in 2007/08:

Available Capital Resource	Brought Forward Resources £'000	Received/ Anticipated In Year £'000	Total Anticipated Resources £'000
Capital Receipts:			
- Right To Buys	1,538	1,500	3,038
- Housing Land Sales	13,568	12,954	26,522
- General Fund Receipts	17	1,329	1,346
- Section 106 Agreements	300	-	300
Total Capital Receipts	15,423	15,783	31,206
Capital Grants:			
- Single Programme	-	82	82
- SHIP	-	1,300	1,300
- DFG	5	150	155
- Other Grants	265	56	321
Total Capital Grants	270	1,588	1,858
Capital Contributions	226	40	266
Supported Capital Expenditure	-	213	213
Major Repairs Allowance (HRA)	-	5,061	5,061
Direct Revenue Financing (HRA)	-	1,637	1,637
Use of Asset Management Fund	-	100	100
Use of Private Sector Housing Fund	-	100	100
Use of HRA Balances	343	500	843
Total Available Resources	16,262	25,022	41,284

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 2007/08 capital programme is likely to be as follows:

	Initial 2007/08 £'000	Revised* 2007/08 £'000
Gross Capital Spending Target *	20,000	23,913
Financed by:		
Government Allocations:		
- Supported Capital Expenditure	213	213
- Capital Grants	1,450	1,640
- Major Repairs Allowance	5,061	5,061
Capital Receipts		
- General Fund	1,555	1,329
- Housing	2,049	3,038
- Regeneration	7,083	9,874
Capital Contributions	-	78
Direct Revenue Financing – HRA	1,637	1,637
Use of HRA Balances	500	843
Use of Private Sector Housing Fund	100	100
Use of Asset Management Fund	100	100
Total Resources	20,000	23,913

** The target has been increased to reflect the approved carry forward from 2006/07 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 will be unused capital receipts and other resources of around £17.9 million available at the end of the financial year which can be used to support future spending commitments in line with estimations made in the Medium Term Financial Plan. However, it should be noted that all of this figure relates to Housing Land Sales and must therefore be ring-fenced against capital schemes meeting the Regeneration or Affordable Housing definitions. There are no other resources available to support the General Fund Programme in later years and in fact 2007/08 relies on the use of £957,000 Major Regeneration receipts to finance the programme.

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 2007/08 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 2007/08 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*

The major risks of the overall capital programme can be identified and mitigated within the process of effective budgetary monitoring and control.

The efficient delivery of the capital programme can be facilitated by the reporting of financial issues and progress reports which can identify overspends or delays within a project.

The council pursues value for money through quarterly financial/progress reports and these can highlight delays which may result in less effective purchasing in the last quarter of the financial year.

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 2007/08 Budget Framework.

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Ward(s): **Not Ward Specific**

Background Papers:

1. Report to Council 27th February 2007 – Budget Framework 2007/2008.
2. Report to Management Team 2nd April 2007 – Budgetary Control Monitoring Arrangements 2007/08
3. Report to Council 5th July 2007 – Statement of Accounts 2006/07
4. Report to Cabinet 15th March 2007 – Leisure and Culture Capital Programme 2007/08
5. Report to Cabinet 26th April 2007 - Council Offices, Green Lane, Spennymoor Capital Programme 2007/08
6. Report to Cabinet 26th April 2007 - ICT Capital Programme 2007/08
7. Report to Cabinet 14th May 2007 - Regeneration Services Mainstream Capital Programme 2007/08
8. Report to Cabinet 21st May 2007 - Community Health Capital Programme 2007/08
9. Report to Cabinet 16th March 2006 - Housing Capital Programme and Repairs and Maintenance Service – Review of Future Programmes of Work and Procurement of Service 2006-2010
10. Report to Cabinet 26th April 2007 – Housing Capital and Improvement Works 2007/08
11. Report to Cabinet 7th June 2007- Private Sector Housing Capital Programme 2007/08
12. Report to Cabinet 7th June 2007 – Community Safety Capital Programme 2007/08
13. Report to Cabinet 14th July 2005 - Children’s Fixed Play Equipment 2005-07

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"/>