

Item 10

REPORT TO CABINET

22nd NOVEMBER 2007

REPORT OF DIRECTOR OF RESOURCES

BUDGETARY CONTROL REPORT 2007/2008

CAPITAL PROGRAMME EXPENDITURE AND FINANCING POSITION TO 30TH SEPTEMBER 2007

1.0 SUMMARY

- 1.1 This report provides a review of the position on the 2007/08 Capital Programme as at 30th September 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.

2.0 RECOMMENDATIONS

It is recommended that:

- (i) Cabinet notes the six-month spend position to 30th September 2007 and amendments to the Capital Programme.
- (ii) Further reports be submitted to 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 2007/08 reported to Management Team on 2nd April 2007.
- (iii) Additional funds amounting to £300,000 be made available from existing Housing Revenue Account resources to fund the backlog of works in relation to Disabled Persons Adaptations

3.0 CAPITAL SPEND AND RESOURCES MONITORING 2007/08

Initial Spending Targets / Revised Capital Programme Budget

3.1 The revised spending target as reported to Special Cabinet 1st November 2007 (paragraph 3.2) is detailed below:

Portfolio / Capital Programme	Approved Net Budget £'000	Approved Revision to Programme £'000	Additional External Funding £'000	Revised Gross Budget £'000
Strategic Leadership:				
- ICT	1,599	(371)	-	1,228
- Green Lane	350	(250)	-	100
- Chilton Depot	86	-	-	86
Healthy Borough:				
- Community Health	84	-	-	84
- Leisure and Culture	1,679	215	-	1,894
Prosperous Borough:				
- Social Regeneration	870	-	-	870
- Learning & Employment	362	-	189	551
- Major Regeneration	8,013	865	-	8,878
Attractive Borough:				
- Environment	38	-	-	38
- Planning & Development	140	-	-	140
Strong Communities:				
- Housing (HRA)	8,743	226	-	8,969
- Housing (General Fund)	2,418	-	-	2,418
- Safer Communities	131	-	38	169
Contingency	200	(80)	-	120
Total	24,713	605	227	25,545

Progress on Capital Programme / Developments during 2007/08

3.2 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. The Report of the Director of Resources to Cabinet on 1st November 2007 detailed the major changes to the programme.

3.2.1 Strategic Leadership

The ICT Capital Programme has since been substantially revised due to uncertainties relating to capital receipts and the impact of Local Government Review. Schemes removed from the Capital Programme 2007/08 include, document management system, stores and fuel recording, corporate back scanning and performance management systems. CRM developments will be reduced by £20,000. This results in a total reduction of £371,000, leaving a revised net budget of £1,228,000. Spend as at 30th September 2007 totalled £335,700.

The Capital Programme budget for Council Offices, Green Lane was initially £350,000 to include mechanical and electrical improvements, window replacements, the refurbishment of the boiler house, and refurbishment of the toilets. However, in light of the uncertainty due to Local Government Review, some schemes in the Green Lane Capital Programme have been suspended

until further information on the future of the Green Lane offices has been obtained. As such, the revised budget now stands at £100,000.

3.2.2 Healthy Borough - Leisure & Culture

Approval has been given for a further £200,000 capital allocation for use on Newton Aycliffe Leisure Centre Refurbishment in the public circulation areas and toilets.

In addition to this extra funding, approval has also been given to use £800,000 of Major Regeneration Initiatives Programme capital to finance a design and build project team to redevelop the Cobbler's Hall area and £15,000 for football pitch provision at Sedgfield

3.2.3 Prosperous Borough - Learning & Employment

This Programme continues to benefit from significant levels of external funding. A Single Capital Programme Grant allocation of £189,000 is available in 2007/08 towards the major programme of works being undertaken on Aycliffe Industrial Park.

3.2.4 Prosperous Borough - Major Regeneration

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

Brought forward Commitments	£973,000
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
Cobbler's Hall Development	£800,000
Neighbourhood Enhancement Programme	£865,000
Total Budget	£8,878,000

Approval has been given to use £800,000 of Major Regeneration Initiatives Programme capital to finance a design and build project team to redevelop the Cobbler's Hall area. This project will be managed by Leisure and Culture.

The Neighbourhood Empowerment Programme has been established to allow Members to respond to areas of concern of their constituents. A total of £865,000 is to be set aside for this programme that is due to commence 1st January 2008.

3.2.5 Strong Communities – Safer Communities

Shildon Town Council has provided funding of £38,000 towards the cost of installing CCTV cameras to be placed in Hackworth Park.

3.2.6 Strong Communities – Housing Revenue Account

The level of funds set aside to meet the demand for Disabled Adaptations to tenants homes is insufficient and as a consequence an additional £300,000 is being provided in order to reduce the backlog and tenants aspirations.

Revised Capital Programme and Actual Spend to 30th September 2007

- 3.3 The adjustments explained above have resulted in a revised spending target of £24.94 million for 2007/08. A summarised statement of actual spend to 30th September 2007 across all portfolios is shown as follows:

Portfolio	Revised Gross Budget £'000	Actual Gross Spend £'000
Strategic Leadership:		
- ICT	1,228	336
- Green Lane	100	29
- Chilton Depot	86	3
Healthy Borough:		
- Community Health	84	27
- Leisure and Culture	1,894	679
Prosperous Borough:		
- Social Regeneration	870	239
- Learning & Employment	551	144
- Major Regeneration	8,878	2,006
Attractive Borough:		
- Environment	38	22
- Planning and Development	140	55
Strong Communities:		
- Housing (HRA)	8,969	2,724
- Housing (General Fund)	2,418	270
- Safer Communities	169	11
Contingency	120	-
Total	25,545	6,545

- 3.4 A gross total of £6.545 million has been spent in the first six months to 30th September 2007 or 26% of the gross capital programme budget of £25.245 million.
- 3.5 Due to the nature of capital projects it is difficult to predict exactly when financial payments will be made, unlike revenue budgets that 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.
- 3.6 Budgetary Control reports that are being presented to the Strategic Working Groups now include some commentary from the relevant budget holder on the progress of their current years projects to enable a view to be taken on the overall delivery of the capital programme.

The following table gives a progress report on the main areas of the programme

Portfolio	Comment
Strategic Leadership	<p>A full reappraisal of the ICT and Green Lane programmes has been undertaken in the light of Local Government review and several schemes delayed or cancelled. Spend on the remaining projects will increase in the final half of the year as planned schemes already contracted will be implemented.</p> <p>Acquisition of vehicle / plant and works to Chilton Depot are dependant on the Housing Partnering arrangements being finalised. Progress on delivering the identified schemes is being reviewed now the successful contractor has been determined.</p>
Healthy Borough	<p>The majority of the programme for this portfolio relates to the Leisure service. Most of the schemes identified are currently underway or start dates have been confirmed, some projects have already been completed. The major outstanding schemes still to start are the recently approved schemes for Alterations to circulation areas Newton Aycliffe Leisure Centre, the Oakwood bar refurbishment and the Cobblers Hall redevelopment works amounting to £1.08m, plans are well in hand to progress these schemes by 31st March 2008</p>
Prosperous Borough	<p>This portfolio covers three specific areas</p> <p>The Social and Regeneration programme concentrates on delivering environmental improvements in Town Centres and specific Neighbourhoods Several of the schemes are subject of significant consultation processes and the subsequent development of master plans. It is anticipated that the majority of the projects will be underway by the 31st March 2008.</p> <p>The Learning and Employment schemes relate to specific economic regeneration activities on some of the Council's industrial estates. The majority of the projects are underway and it is anticipated that the programme will be completed by 31st March 2008.</p> <p>The final element of this portfolio relates to the Council's Major Regeneration Initiative funded by specific housing capital receipts. The total programme amounts to £8.878m, though this relates in part to future commitments rather than specific spend that is likely to materialise in 2007/08. Several of the schemes are progressing well [e.g. Playground Equipment programme] and spend will be maximised by the end of the financial year. Progress in relation to the Local Improvement programme is fully dependant on the successful applicants making progress in commencing works; unspent commitments will be automatically carried forward into 2008/09.</p>

	<p>A significant element of this programme relates to the delivery of the Housing Regeneration Masterplan in the former coalfield areas. Spend levels are dependant upon the successful completion of the purchase of designated dwellings and the development of the loans package scheme which is due to commence in November / December.</p>
Attractive Borough	<p>The programme for this portfolio area is relatively small and good progress is being made on delivering the schemes identified in the respective report to Cabinet on the 14th June 2007. Some delays in implementing the scheme associated with replacement recycling bins are as a result of a review of the Kerbit Scheme due to be considered by Cabinet shortly</p>
Strong Communities	<p>This portfolio covers three service areas.</p> <p>The majority of the schemes associated with the Housing Revenue Capital programme have either been let or are in the process of being awarded. Progress on delivering these schemes is traditionally slower in the first half of the year and it is anticipated that overall spend by the 31st March 2008 will be within 5% of the overall budget allocation. It is anticipated that the awarding of the Housing partnering Contract will assist in the effective delivery of this programme and meet our Decent Homes targets.</p> <p>The delivery of the Private Sector Housing programme is proceeding well, the two major components are the grants schemes which traditionally see expenditure being maximised in the latter half of the year as approved applications are completed and the Group Repair Scheme commences.</p> <p>The schemes relating to the Safer Communities portfolio in the main refer to works associated with the upgrading and extension to the Council's CCTV network and control room. Progress on implementing the planned schemes is well in hand.</p>

Capital Resources

- 3.7 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 which are anticipated 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	1,380	2,918
- Housing Land Sales	13,568	13,184	26,752
- General Fund Receipts	17	1,329	1,346
- Section 106 Agreements	300	-	300
Total Capital Receipts	15,423	15,893	31,316
Capital Grants:			
- Single Programme	-	285	285
- SHIP	-	1,300	1,300
- DFG	5	150	155
- Other Grants	265	69	334
Total Capital Grants	270	1,804	2,074
Capital Contributions	226	76	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	25,384	41,610

Financing the Capital Programme

- 3.8 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	25,545
Financed by:		
Government Allocations:		
- Supported Capital Expenditure	213	213
- Capital Grants	1,450	2,047
- Major Repairs Allowance	5,061	5,061
Capital Receipts		
- General Fund	1,555	1,346
- Housing (RTB)	2,049	2,918
- Regeneration	7,083	11,211
Capital Contributions	-	69
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	25,545

** 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 and additional commitments such as the Cobblers Hall developments,*

3.9 Assuming the revised spending targets are achieved, there will be unused capital receipts and other resources of around £16.065 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.

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 only 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.

The Capital Programme relies heavily on capital receipts from the sale of land and buildings. Should the anticipated capital receipts not be received in year the Capital Programme would not be deliverable in its entirety.

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 21st May 2007 - Community Health Capital Programme 2007/08
8. 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
9. Report to Cabinet 26th April 2007 – Housing Capital and Improvement Works 2007/08
10. Report to Cabinet 7th June 2007- Private Sector Housing Capital Programme 2007/08
11. Report to Cabinet 7th June 2007 – Community Safety Capital Programme 2007/08
12. Report to Cabinet 7th June 2007- Environment Capital Programme 2007/08
13. Report to Cabinet 7th June 2007- Regeneration Services Mainstream Capital Programme 2007/08 [Revised programme]
14. Report to Cabinet 14th July 2005 - Children's Fixed Play Equipment 2005-07
15. Report to Cabinet 1st November 2007 – Interim Capital Programme Review 2007/08

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"/>