

**Executive**

**27<sup>th</sup> June 2006**

## **Report of the Director of Resources**

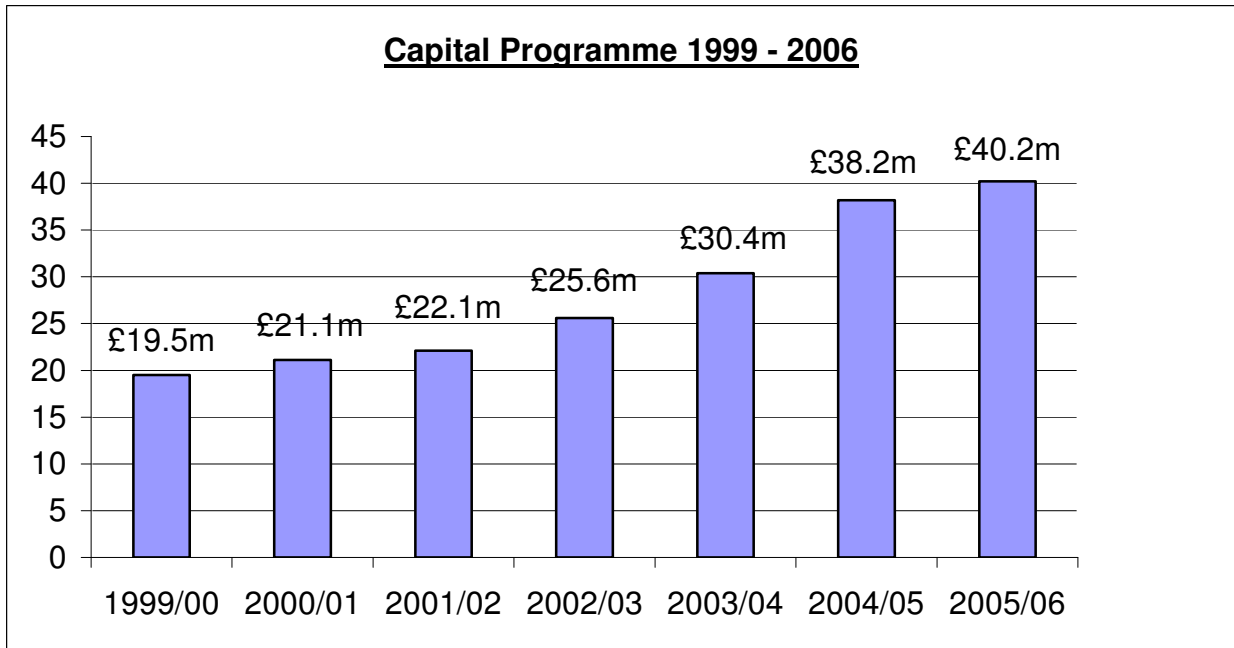
### **CAPITAL PROGRAMME OUTTURN 2005/06 AND REVISIONS TO THE 2006/07 PROGRAMME**

#### **Report Summary**

1. The purpose of this report is to:
  - Provide the Executive with the final outturn position of the capital programme for 2005/06 taking account of the capital outturn reports taken to the Executive Member with Advisory Panel (EMAP) meetings for each Department.
  - Seek approval of the statutory declaration on the funding of the 2005/06 capital programme to show how the Council's capital expenditure has been financed, along with any financial implications that this may result in.
  - Inform the Executive of any slippage and seek approval for the associated funding to be slipped to or from financial years to reflect this.
  - Update the Executive of any new externally funded schemes and seek approval for their addition to the 2006/07 to 2008/09 Capital Programme.

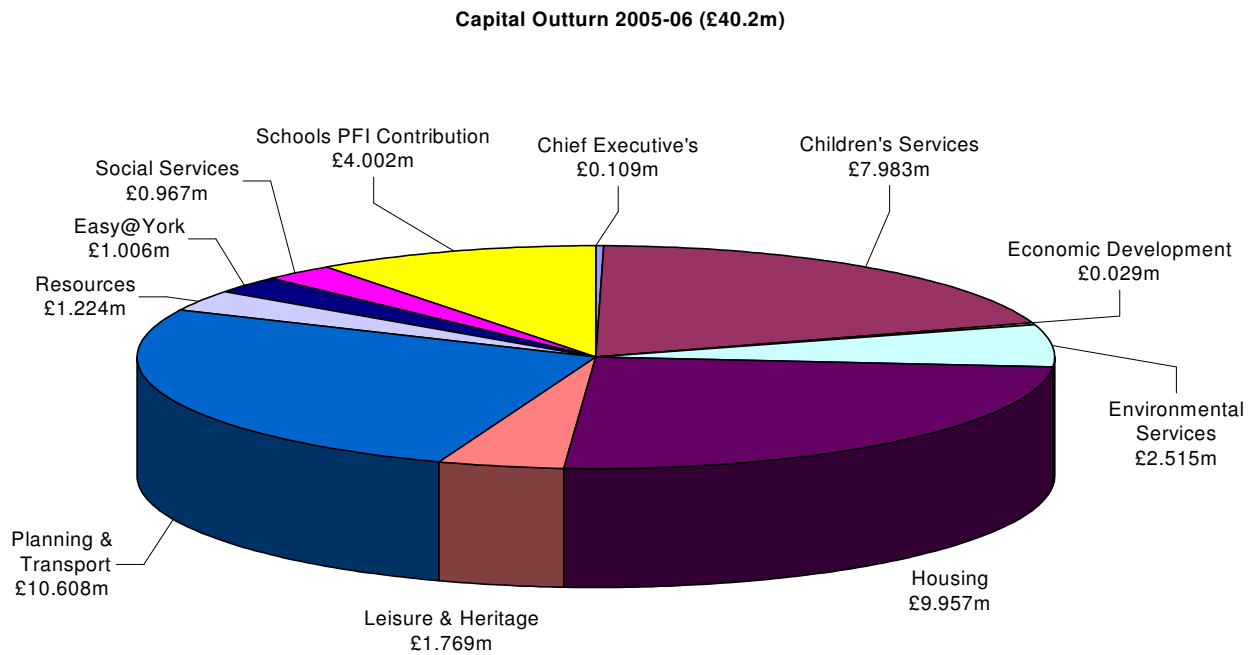
#### **Summary of the 2005/06 Capital Programme**

2. Capital expenditure in 2005/06 totalled £40.2m. This represents the largest ever capital programme delivered by the City of York Council. Figure 1 illustrates the increase in capital investment since 1999/00, during which time it has more than doubled from £19.2m to this years outturn of £40.2m.



**Figure 1: CYC Capital Programme Expenditure 1999-2006**

3. Figure 2 shows how the £40.2m was spent during 2005/06



**Figure 2 Capital Outturn 2005/06**

4. Within this total a number of significant schemes have been or are being delivered as part of the 2005/06 capital programme, some of the key achievements for the year are:

- Completion of the second stage of Fulford Secondary School Targeted Capital project (£0.4m).
- Expenditure of £0.6m on the completion of the £3.6m Applefields Special School Targeted Capital Project.
- Works totalling £3.1m on NDS modernisation to address the worst conditions issues in schools across the city including the completion of the classroom extension at Dunnington Primary.
- A total of £0.9m spent on the Neighbourhood Nurseries Initiative as part of a £2.5m scheme, to deliver an integrated children's centre at Clifton Green Primary School.
- Expenditure of £1.2m on the opening of the new Household Waste Site off Hazel Court which became operational on 10<sup>th</sup> April.
- Purchase of over 60,000 Green Waste Bins at a cost of £1.1m funded through prudential borrowing to be repaid from the savings generated from diverting waste destined for the land fill.
- Expenditure of £0.8m on the Repairs to Local Authority Properties programme including Installation and Replacement of Heating Systems.
- The completion of the Howe Hill Homeless Hostel at a cost of £0.9m.
- Spend of £2.5m on the Modernisation of Local Authority Homes including £1.5m on tenants choice within the Tang Hall area and expenditure of £0.3m on the Repairs to Local Authority Properties programme.
- £5.2m spent on Housing through the Major Repairs Allowance targeted at bringing the Council's Housing stock up to the decent homes standard.
- Works totalling more than £1.2m as part of a £3m scheme to extend and refurbish Oakland's Sports Centre, which is due to be reopened in September 2006.
- A substantial amount of work has been completed within the Local Transport Plan, 64 individual schemes where completed in year with an additional 13 schemes under way totalling £6m.
- Works totalling over £2.3m spent on improving the condition (repairs and resurfacing) of the highways in York.
- Purchase of new ITT equipment in excess of £0.6m funded from Prudential Borrowing.
- A spend of over £1m on the [Easy@York](#) programme to improve customer accessibility to services. £4m contribution to the York Schools PFI<sup>1</sup> scheme

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<sup>1</sup> Private Finance Initiative

which has delivered 3 new primary schools and 1 special school by Sewell Education York Ltd, our private sector partner.

- The relocation of Hebden Rise Day Centre at a cost of £0.5m.
5. The original 2005/06 capital programme was approved by Full Council on 22<sup>nd</sup> February 2005 at £44.2m. Since then the Executive have approved a number of adjustments as part of the monitoring reports throughout the year. The latest approved capital programme budget, following adjustments from February EMAPs is £38.1m, to be financed by £30.7m of external funding and £7.4m of capital receipts. However, as part of this year end outturn report it has been necessary to include the £4m capital contribution to the York Schools PFI project and £1m spent on the [Easy@York](#) project. Both these projects have been reported outside the main capital programme to date. The inclusion of these two additional schemes in the analysis increases the final capital programme budget to £43.2m.
  6. The changes to the original 2005/06 approved capital programme can be seen in Annex 1

## **Consultation**

7. The 2005/06 Capital Programme was approved by Full Council on 22<sup>nd</sup> February 2005 after departments were invited to bid for capital receipt funding through the Capital Resource Allocation Model (CRAM). The CRAM process rigorously scores scheme submissions against key corporate objectives and national government priorities. Each departmental EMAP is consulted in relation to the bids to be put forward.

## **Options**

8. The report is mainly for information, providing the Executive with the final outturn of the 2005/06 capital programme. However, there are a number of requests for slippage of funding in to the 2006/07 capital programme. These requests are highlighted in the main body of the report.

## **2005/06 Capital Programme Outturn and Overview**

9. The 2005/06 capital outturn of £40.2m represents an underspend of £3m against the restated budget of £43.2m, a variance of 6.9%, slightly higher than last years variance of 5.6%.
10. The total variances for individual committee capital programmes along with requests for slippage and other key information are highlighted in Table 1.

<b>Committee</b>	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>	<b>(Under) /Overspend</b>	<b>Slippage</b>
	£m	£m	£m	£m	£m
Chief Execs	0.207	0.109	-0.098	+0.000	-0.098
Children's Services	9.082	7.983	-1.099	+0.246	-1.345
Econ Development	0.736	0.029	-0.707	-0.446	-0.261
Environmental Services	2.595	2.515	-0.080	+0.011	-0.091
Housing	10.143	9.957	-0.186	-0.136	-0.050
Leisure & Heritage	2.252	1.769	-0.483	+0.068	-0.551
Planning & Transport	10.104	10.608	+0.504	+0.213	+0.291
Resources	1.876	1.224	-0.652	+0.249	-0.901
Social Services	1.062	0.967	-0.095	-0.020	-0.075
<b>Subtotal</b>	<b>38.057</b>	<b>35.161</b>	<b>-2.896</b>	<b>+0.185</b>	<b>-3.081</b>
<u>Easy@York</u>	1.006	1.006	0	0	0
Schools PFI	4.032	4.032	0	0	0
<b>Total Capital</b>	<b>43.095</b>	<b>40.199</b>	<b>-2.896</b>	<b>+0.185</b>	<b>-3.081</b>

**Table 1 –Latest Budget vs. Outturn & Requests for Slippage**

11. A brief summary of the key variances from Table 1 are highlighted below, with a more detailed summary of the respective EMAP reports provided in Annex 2.
- Chief Executives – the outturn of £0.109m on the Ward Committee capital schemes resulted in an underspend on £0.098m, it is requested that this funding be slipped in to 2006/07.
  - Children's Services – the outturn of the 2005/06 Education Capital Programme is £7.983m, financed from £7.390m of external funding, resulting in a net cost to the Council of £0.593m. Total slippage in to 2006/07 is £1.345m, which comprised £1.514m of slippage into 2006/07, which is offset the need to bring funding forward (reverse slippage) from 2006/07 to 2005/06 of £0.169m.
  - Economic Development – there has been an under spend of £0.436m, with slippage of £0.261m on the Small Business Workshops scheme. Total expenditure was only £0.029m due to negotiations surrounding the replacement of the workshops resulting in a need for less funding required from the Council.
  - Environmental Services - the outturn of £2.515m is to be financed from £2.001m of prudential borrowing for expenditure on the new Hazel Court Household Waste site and the purchase of Green Wheeled bins. Total financing from capital receipts was £0.446m. There are requests for slippage of £0.091m in relation to Hazel Court and a small overspend of £0.011m, incurred at the Crematorium.

- Housing Services – the outturn of £9.957m was financed by £9.278m of external funding and right to buy (RTB) receipts, leaving a net cost to the Council of £0.679m. The call on Council generated capital receipts was £0.149m higher than anticipated because of a slow down in the achievement of RTB receipts, reflecting the general slow down in the housing market. It is anticipated that this will be recovered from 2006/07 receipts. Overall there are requests for slippage of £50k on the Installation and Replacement of Heating Systems scheme (£32k) and Howe Hill Homeless Hostel (£18k). In addition there is an under spend of £97k on the Major Repairs Allowance (£45k), on Howe Hill Hostel (£15k) and Repairs to Properties (£32k).
- Leisure & Heritage – the outturn of the 2005/06 Leisure and Heritage Capital Programme is £1.769m, financed from £1.297m of external funding, resulting in a net cost to the Council of £0.472m. There is total slippage of £0.551m, of which £0.236m relates to Oakland's sports centre and pitches with £0.105m relating to the repairs to the Knavesmire culverts.
- Planning and Transport – the outturn of the Planning and Transport Capital Programme is £10.608m against a budget of £10.104m. The expenditure financed from £7.581m of external funding, resulting in a net cost to the Council of £3.027m. The main reasons for the variance was due to an overspend of £211k on developers contribution schemes, and expenditure of £336k on Foss Islands depot, which was budgeted to be incurred in 2006/07.
- Resources – the Resources outturn was £1.224m, against a budget of £1.876m. The programme required funding from capital receipts of £0.346m, revenue contributions of £0.123m and prudential borrowing of £0.755m. There are requests for slippage of £0.901m, mainly made up of £0.109m on the Administrative Accommodation project costs, and £0.804m on the property repairs backlog and health and safety schemes. New IT equipment purchases of £0.615m have been funded from prudential borrowing.
- Social Services - the revised gross Capital Programme for Social services was £1.062m of which £0.158m is funded from capital grants, £0.1m from the Housing Capital Programme to fund Disability Support Grants and £0.362m from other sources, resulting a net cost to the Council of £0.442m. In total there are requests for slippage of £0.075m and an underspend of £0.020m, which can be returned to fund the remainder of the capital programme.
- Easy@York - was not included in the initial the capital programme, but it was acknowledged that there would be spend in year and that this would be funded firstly by government grant and LPSA1 reward grant, and finally by prudential borrowing. In the event the total spend in 2005/06 was £1.006m, which has been fully funded by E-government grants (£0.600m) and LPSA1 reward money (£0.460m) received in 2004/05 and 2005/06. Therefore, it has not been necessary to prudentially borrow this year and there remain £0.054m of unapplied grants and reward money to be used to fund capital spend on [Easy@York](#) in 2006/07.

- York Schools PFI – as part of the PFI project the Council agreed to contribute £4.032m from the sale of the Northfield and Lidgett Grove Special school sites, whose facilities were reprovided by the project. The payment was made as agreed on 1<sup>st</sup> March 2006 and has to be funded as part of the capital programme.

### **Funding the 2005/06 Capital Programme**

12. The adjusted budget of £43.095m was to be funded from £31.627m of external funding and £11.468m from capital receipts. The outturn position reduced the external funding requirement by £1.877m to £29.747m. This left a funding requirement of £10.452m to be met from capital receipts.
13. In year capital receipts of £2.1m were generated leaving a shortfall of £8.352m to be financed. There has been a much publicised delay in a number of key capital receipts, notably from the sale of the Barbican and the former sites of Northfield and Lidgett Grove special schools. These delays have resulted in the in year shortfall.
14. Under the prudential framework, introduced in April 2004, Local Authorities now have the flexibility to borrow to finance capital expenditure providing it is prudent, affordable and sustainable. Both the Barbican and special school site receipts are anticipated to be received by late June 2006 meaning that it would be possible to cover the capital receipts shortfall through prudential borrowing<sup>2</sup>. However, such action would require the Council to make a minimum revenue provision (MRP) of 4% of any amount borrowed to cover the repayment of the additional borrowing, which would be charged to the 2006/07 financial year. This would cost £334k more than if the receipts would have been achieved.
15. As a result a number of options have been analysed to fund the shortfall and reduce the overall impact on the 2006/07 revenue account, these are:
  - Use £1.075m from the capital reserve – the capital reserve is an earmarked reserve set aside for shortfalls of this nature and to cover any underlying liabilities of a capital nature that the Council may have. These liabilities have not materialised in 2005/06. It is proposed to top up the reserve with capital receipts received in 2006/07.
  - Use £1.774m from earmarked capital receipts – these receipts are linked to existing specific capital programme schemes that have not yet been called upon. It is proposed to top up the reserve when the capital receipts are received in 2006/07
  - Borrow £1.471m of capital receipts from the Venture Fund and repay from receipts when they are realised. This would leave available venture fund balances at £852k out of a total fund of £4.1m, with significant future commitments to fund the early years shortfalls in revenue funding on the administrative accommodation project.

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<sup>2</sup> Under the prudential code, borrowing is measured by the underlying need of the Council to borrow. This means that physical borrowing does not have to take place in order for expenditure to be financed as borrowing. Through proactive treasury management the Council borrows when interest rates are low and runs down cash balances when interest rates are high.

15. The above options would reduce the need to borrow by £4.320m to £4.032m, therefore reducing the impact to the 2006/07 revenue account to £0.161m from £0.334m. A revenue contingency was set aside as part of the budget process of £0.250m for this eventuality.
16. If these options are accepted it must be noted that the first £8.352m of capital receipts generated in 2006/07 will be required to repay the various funds used to mitigate the borrowing requirements and to repay additional £4.032m of borrowing taken. The capital receipts target for 2006/07, as approved by the Council and after the slippage of receipts expected in 2005/06 now stands at £28.549m. A full list of capital receipts now expected in 2006/07 is shown in confidential annex 3.

### Update on the 2006/07 Capital Programme

17. Table 2 below shows the revised start budget for 2006/07 by committee taking into account the requests for slippage arising from the 2005/06 programme. The total capital programme for 2006/07 is £52.978m

<b>Total by Department</b>	<b>Position at Budget</b>	<b>Revisions since Budget</b>	<b>Latest 2005/06 Budget</b>
	£m	£m	£m
Children's Services	13.132	1.345	14.477
Environmental Services	0.000	0.091	0.091
Housing	10.064	0.050	10.114
Leisure & Heritage	4.305	0.551	4.856
Economic Development	0.100	0.261	0.361
Planning & Transport	19.445	-0.291	19.154
Resources	2.074	0.901	2.975
Chief Executive's	0.368	0.098	0.466
Social Services	0.409	0.075	0.484
<b>Total</b>	<b>49.897</b>	<b>3.081</b>	<b>52.978</b>
<a href="#">Easy@York</a>	0.000	0.000	0.000
PFI	0.000	0.000	0.000
<b>Grand Total</b>	<b>49.897</b>	<b>3.081</b>	<b>52.978</b>

**Table 2 – latest Budget 2006/07**

18. The 2006/07 budget process included 2 schemes that were approved subject to the securing of external funding. The Housing scheme to improvement James Street Travellers site has been successful and will bring in £0.3m of government grant funding to add to the £0.1m put forward by the Council. In addition the bid to the Learning and Skills Council towards the refurbishment and extension of the Acomb Library, turning it in to a lifelong learning centre has also been successful attracting £0.521m towards the £0.596m scheme.



## **Corporate Objectives**

19. All schemes approved as part of the capital programme have been ranked according to how well they meet corporate objectives. The diversity of the capital programme means that all 9 are reached in some way.

## **Financial Implications**

20. The financial implications are considered in the main body of the report.

## **Human Resources Implications**

21. There are no HR implications as a result of this report

## **Equalities Implications**

22. There are no equalities implications as a result of this report

## **Legal Implications**

23. As stipulated by the CIPFA Prudential Code, the Council is required to present a statutory declaration of the 2005/06 capital expenditure and its funding to the secretary of state responsible for local government as set out in the 2003 Local Government. The statutory declaration as signed by the Director of Resources who is the Council's Section 151 officer is attached in Annex 4.

## **Crime and Disorder**

24. There are no crime and disorder implications as a result of this report

## **Information Technology**

25. There are no information technology implications as a result of this report

## **Property**

26. The property implications of this paper are included in the main body of the report which covers the funding of the capital programme from capital receipts in paragraphs 12-15

## **Risk Management**

27. The capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Corporate Capital Monitoring Group (CAPMOG) meets regularly to plan monitor and review major capital schemes to ensure that all capital risks to the Council are minimised.

## **Recommendations**

28. The Executive is requested to:
- Note the 2005/06 outturn and approved the requests for slippage to and from the 2006/07 capital programme.
  - Approve the variations to the 2006/07 capital programme where they are outside current delegated limits.
  - Approve the statutory declaration of 2005/06 capital expenditure as required by the Local Government Act 2003 part I.

## Contact Details

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### Chief Officer Responsible for the report:

Peter Steed  
Head of Finance

**Report  
Approved**

tick

**Date** 16/6/06

Simon Wiles  
Director of Resources

**Report  
Approved**

tick

**Date** 16/6/06

### Specialist Implications Officer(s)

None

**Wards Affected:** *List wards or tick box to indicate all*

**All**  tick

### For further information please contact the author of the report

For further information please contact the author of the report  
Background Papers 2005/06 monitoring working papers and respective EMAP  
reports.

[Annex 1 – In year changes to the 2005/06 Capital Programme](#)

[Annex 2 – Detailed scheme update](#)

[Confidential Annex 3 – Capital Receipts Update](#)

[Annex 4 Statutory Declaration of Funding](#)