

Report of the Director of Resources

Capital Programme – Monitor Three

Report Summary

1. The purpose of this report is to:
 - Inform Members of the likely outturn position of 2008/09 Capital Programme based on the spend profile and information to January 2009;
 - Inform the Executive of any under or overspends and seek approval for any resulting changes to the programme;
 - Inform the Executive of any slippage and seek approval for the associated funding to be slipped to or from the financial years to reflect this;
 - To inform Members of the funding position of the capital programme, taking account of the current capital receipts forecasts for the three year capital programme.

2. The 2008/09 – 2010/11 capital programme was approved by Council on 21st February 2008. Since then a number of amendments have taken place as reported to the Executive in the 2007/08 Capital Outturn paper and the 2008/09 Monitor one and two papers. These changes have resulted in a current approved capital programme for 2008/09 of £60.537m, financed by £45.696 m of external funding, leaving a cost to the Council of £14.841m to be financed from capital receipts. Table 1 illustrates the movements from the start budget to the current approved position at monitor 2.

	Gross Budget £m	External Funding £m	Cost to CYC £m
Original Budget Approved by Council at 21 Feb 2008	86.152	63.087	23.065
Slippage Carried Forward to 09/10 & 10/11 from 07/08 outturn report	(10.997)	(11.526)	0.529
Additions from 07/08 outturn report	0.787	0.814	(0.027)
Amendments from Monitor 1 report	(12.012)	(6.530)	(5.482)
Amendments from Monitor 2 report	(3.393)	(0.149)	(3.244)
Current Approved Capital Programme	60.537	45.696	14.841

Table 1 Current Approved Capital Programme

Consultation

3. The capital programme was developed under the Capital Resource Allocation Model (CRAM) framework and agreed by Council on 21 February 2008. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Summary of Key Issues

4. At monitor 2, there was an overall decrease of £25.615m in the 2008/09 capital programme. A slight increase of £288k is detailed in this monitor that results in a revised capital programme budget of £60.249m; £18.224m higher than 2007/08 capital outturn.
5. Capital receipts to be received in 08/09, are forecast to be down against the original budgeted target of £13.067m by £7.135m to £5.932m. This has further decreased from the position reported at Monitor 2. As explained in Monitor 2 it is also partly due to timing issues with the majority of the slippage expected early in 2009/10. However, the Barbican Centre has also been removed from the capital receipts schedule at £765k as it does not appear that it will be realised in the near future. The Capital Programme Budget 2009/10 to 201/14 report explains in further detail how schemes will be funded going forwards. For 2008/09, capital receipts brought forward of £4.127m and the reclassified PFI funds will be used to fund the capital programme in lieu of the timing of other capital receipts being received.
6. Against the current approved budget at Monitor 2 of £60.537m, there is a predicted outturn of £60.249m, a net decrease of £288k made up of:

- Adjustments to schemes increasing costs by £171k.
 - The re-profiling of budgets from 2008/09 to future years of £459k.
- Table 2 outlines the variances reported against each portfolio area.

Department	Current Approved Budget £m	Projected Outturn £m	Variance £m	Paragraphs
Children's Services	33.145	33.800	0.655	
City Strategy	11.643	11.464	(0.179)	
Economic Development	0.158	0.158	0.000	
Housing	8.967	8.795	(0.172)	
Leisure and Culture	3.857	3.867	0.010	
Neighbourhood Services	0.634	0.311	(0.323)	
Resources	0.885	1.196	0.311	
Chief Executive	0.866	0.276	(0.590)	
Social Services	0.282	0.282	0.000	
Hazel court	0.100	0.100	0.000	
Total	60.537	60.249	(0.288)	

Table 2 Capital Programme Forecast Outturn 2008/09

7. To the end of November there was £46.739m of capital spend representing 77% of the approved monitor 2 budget.
8. The movements in the capital programme between Monitor 2 and Monitor 3 have not been vast and therefore the following points highlight those schemes where changes are more than +/- £100k:
 - a. The progression of Huntingdon School is now likely to be settled in 09/10, therefore £100k has been slipped forward.
 - b. The York High School development has progressed well and is substantially complete, therefore £800k has been slipped back from 2009/10 to 2008/09.
 - c. Major Repairs Allowance Schemes in Housing have under spent by £152k and includes Tenants Choice – Tang Hall, Tenants choice – Horsman Avenue where savings have resulted and also Tenants choice – modernizations, which is linked to the take up of tenancy in a 12 month period. Paragraph 22 provide more detail.
 - d. Silver Street Toilets scheme has slipped £172k to 2009/10 due to tendering being delayed.
 - e. Waste Infrastructure Grant scheme of £110k has been re-profiled to 2009/10 due to the Waste Management Strategy Report 2008/2014 – Refresh.
 - f. IT equipment of £311k has increased the capital programme due to the requirements of the Financial management System and the EDRMS.
 - g. Both the Access Audits / DDA Work and the Property Key Components (H&S) schemes include resources that have been allocated for repairs to buildings as part of larger service based schemes. In some cases

these have not progressed as quickly as was envisaged and £250k has slipped into 2009/10.

Analysis

9. The Executive Member with Advisory Panels (EMAP's) will meet during February to report on the performance of each portfolio. A summary of the key exceptions and implications on the capital programme are highlighted below.

Education and Children's Services

10. The current approved capital programme for Education and Children's services for 2008/09 is £33.145m following the adjustments made at monitor 2. As a result of changes made at the second monitor, the 2008/09 capital programme will increase by £655k to £33.800m. Table 3 gives a summary of the changes on a scheme by scheme basis.

Gross Education and Children's Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	33.145	30.848	20.181	84.174
Re-profiling:				
Huntington School	(0.100)	0.100		0.000
York High School	0.800	(0.800)		0.000
Schools Access Initiative	(0.045)	0.045		0.000
Revised Capital Programme	33.800	30.193	20.181	84.174

Table 3 Education and Children's Services Capital Programme 2008

11. The final payment for Huntington School is now unlikely to be settled in 2008/09 and therefore the majority of the remaining budget has been re-profiled into 2009/10.
12. York High School scheme is substantially complete and as a result the budgeted expenditure in 2009/10 can be brought forward to 2008/09. The final account is awaited and the scheme has completed ahead of the scheduled profile.
13. There have been delays to a number of the small schemes included in Schools Access Initiative programme and therefore £45k will need to re-profiled from 2008/09 into 2009/10.

City Strategy (Inc Admin Accom)

14. The current approved capital programme for City Strategy is £11.643m following the adjustments made at Monitor 2 which saw the responsibility of the Administration Accommodation project move to the directorate. As a result of changes contained in the Monitor 3 the capital programme will decrease in year by £179k to £11.464m. Table 4 gives a summary of the changes on a scheme by scheme basis.

Gross City Strategy Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	11.643	13.627	17.390	42.660
<u>Adjustments:</u>				
Local Transport Plan	(0.005)			(0.005)
Oulston Reservoir	(0.025)			(0.025)
<u>Re-profiling:</u>				
Highways Resurfacing & Reconstruction	(0.050)	0.050		0.000
York City Walls – Repairs & Renewals	(0.035)	0.035		0.000
York City Walls – Health & Safety	(0.034)	0.034		0.000
Special Bridge Maintenance	(0.030)	0.030		0.000
Revised Capital Programme	11.464	13.776	17.390	42.630

Table 4 City Strategy Capital Programme 2008-11

15. The £25k allocation for work to Oulston Reservoir is no longer needed as a further inspection has confirmed that the work is not required. The capital receipt funding that had been allocated to fund this scheme is therefore no longer required and can go back into the capital receipts available.

16. It is proposed to slip the £50k allocation for St Helen's Road Bridge into 2009/10, as Network Rail will not require the contribution to their scheme during 2008/09. £35k of City Walls Repair funding needs re-profiling to 2009/10, as the current scheme at Walmgate Bar will not be completed during 2008/09. £34k of City Walls Railings funding requires re-profiling to 2009/10 as work will be required on a further section of the walls next year. And £30k of the CYC Bridges Structural Maintenance allocation requires re-profiling to 2009/10 which will be used to part fund the Melrosegate Bridge scheme. The work on Fossway Bridge has been completed.

Economic Development

17. The approved capital programme for Economic Development is £0.158m. No changes are anticipated as part of this monitor. Table 5 confirms the current budget.

Gross Economic Development Capital Programme	2008/09 £m	2009/10 £m	2009/10 £m	Total £m
Current Approved Capital Programme	0.158	0.00	0.000	0.158

Table 5 Economic Development Capital Programme 2008 -11

Housing

18. The approved capital programme for Housing services is £8.967m following the adjustments made at Monitor 2. As a result of changes made in this monitor, the capital programme has been decreased by £172k to £8.795m. Table 6 gives a summary of the changes on a scheme by scheme basis.

Gross Housing Capital Programme	2008/09 £m	2009/10 £m	2010/11 £m	Total £m
Current Approved Capital Programme	8.967	8.451	8.619	26.037
<u>Adjustments:</u>				
Repairs to Local Authority Properties	0.063			0.063
Assistance to Older and Disabled People	0.020			0.020
Housing Grants & Associated Investments	0.026			0.026
Howe Hill Homeless Hostel	(0.056)			(0.056)
Major Repairs Allowance (MRA) schemes	(0.153)			(0.153)
Discus Bungalow	(0.020)			(0.020)
<u>Re-profiling:</u>				
Major Repairs Allowance (MRA) schemes	(0.052)	0.052		0.000
Revised Capital Programme	8.795	8.503	8.619	25.917

Table 6 Housing Capital Programme 2008 - 2011

19. The projected overspend with regard to Repairs to Local Authority Properties is due to an increased amount of heating appliances having required replacement following their annual servicing, this is predominantly due to the ageing appliances in the Housing Stock and new regulations in governing safety.

20. The projected overspend on Housing Grants & Associated Investments is driven by the area of York Repair Grant and the Energy Efficiency Grant experiencing increase in demand by vulnerable customers.
21. The Homeless Hostel scheme has run over a two year period and resulted in an under spend against the original estimation predominantly due to cost savings in procurement and a reduction in the need for professional fees.
22. The under spend totalling £153k is comprised of three areas. First the authority pledges to undertake backfill Tenants Choice modernisations within 12 months of customers taking up tenancies of homes that qualify and hence the value/volumes are not fixed but linked to number and spread of void properties. The average costs and projections therefore vary throughout the year with a current projection of an under spend of £45k against budget. Secondly with regard to Tenants Choice – Tang Hall an under spend of £70k has occurred through savings on the scheme resulting predominantly in a reduced average unit cost per home then projected. And third, the Tenants Choice – Horsman Avenue works has been completed resulting in an under spend of £38k due to a slight reduction in average unit costs.
23. The requirement for capital receipts funding has reduced as a result of the Homeless Hostel under spend. This under spend has reduced the call on the Right to Buy Receipts (RTB) that had been allocated to this scheme (note the RTB receipts are brought forward from 2007/08 and are not RTB received in 2008/09 year) allowing the RTB receipts to be used for funding the Disabled Facilities Grant thus reducing the call on capital receipts from £274k to £218k.

Leisure and Culture

24. The approved capital programme for Leisure and Culture services is £3.857m following the adjustments made at Monitor 2. As a result changes made in this monitor, the capital programme will increase by £10k to £3.867m. Table 7 gives a summary of the changes on a scheme by scheme basis.

Gross Leisure and Culture Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	3.857	5.244	1.100	10.201
<u>Adjustments:</u>				
Parks & Open Spaces Development	0.010	0.000	0.000	0.010
Revised Capital Programme	3.867	5.244	1.100	10.211

Table 7 Leisure and Culture Capital Programme 2008 - 11

25. The Parks and Open Spaces Development Scheme has a small increase in its budget due to additional Section 106 funds now being available.

Neighbourhood Services

26. The approved capital programme for Neighbourhood services is £634k following the adjustments made at Monitor 2. As a result of this monitor, the capital programme will decrease by £323k to £311k. Table 8 gives a summary of the changes on a scheme by scheme basis.

Gross Neighbourhood Services Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	0.634	0.686	0.133	1.453
Additions:				
Air Quality Monitoring		0.027		0.027
Re-profiling:				
Silver Street Toilets	(0.172)	0.172		0.000
Waste Infrastructure Capital Grant	(0.110)	0.110		0.000
Ward Committees – Improvement Schemes	(0.041)	0.041		0.000
Revised Capital Programme	0.311	1.036	0.133	1.480

Table 8 Neighbourhood Services 2008 – 2011

27. The Silver Street Toilets scheme will require re-profiling due to further work being required in respect of design relating to structural stabilisation, tendering has been delayed and it is now anticipated that tenders will be received back by end of Feb 09, later than originally planned.

28. The Waste Infrastructure Grant scheme will require re-profiling to 2009/10 as the Waste Management Strategy Report 2008/2014 - Refresh approved the grant to be spent on recycling containers in respect of rolling out recycling across the city phase 1 due Oct 2009, and also improving quality of recycling service (container purchase). Trials in respect of how best to implement these are currently in progress and it is now anticipated that there will be no expenditure incurred against the grant until 2009/10.

Resources

29. The approved capital programme for Resources which contains IT and Easy @ York is £885k following the adjustments made at Monitor 2. As a result of this monitor, the capital programme will increase by £311k to £1.196m. Table 9 states the position of the programme along with movements.

Gross Resources Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	0.885	0.000	0.000	0.885
Additions:				
IT Equipment	0.311			0.311
Revised Capital Programme	1.196	0.000	0.000	1.196

Table 9 Resources Capital Programme 2008 –2011

30. The increase in IT equipment of £311k schemes is due to the Financial Management System (FMS) and Electronic Data Records Management System (EDRMS). The contract for the delivery of the EDRMS project has been placed. Swift progress is being made on the delivery of this high priority corporate project.

31. Several other projects including the new Financial Management System and the new Social Care System Infrastructure upgrade are now coming to fruition resulting in either an acceleration in expenditure or the cost profiles being reviewed

Chief Executives

32. Following the movement of Property Services into Chief Executive Portfolio the approved capital programme is £866k following the adjustments made at Monitor 2. As a result of this monitor, the capital programme will decrease by £250k to £616k. Table 10 gives a summary of the changes on a scheme by scheme basis.

Gross Chief Executives Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	0.866	0.550	0.200	1.616
Re-profiling:				
Access Audits / DDA Work	(0.100)	0.100	0.000	0.000
Property Key Components (H&S)	(0.150)	0.150	0.000	0.000
Carbon Management	(0.250)	0.250	0.000	0.000
Fire Safety Regulations - Adaptations	(0.090)	0.090	0.000	0.000
Revised Capital Programme	0.276	1.140	0.200	1.616

Table 10 Chief Executives Capital Programme 2008 – 2011

33. Both the Access Audits / DDA Work and the Property Key Components (H&S) schemes include resources that have been allocated for repairs to buildings as part of larger service based schemes. In some cases these

works have not progressed as quickly as was envisaged including Central Library refurbishment/improvement and Park & Ride sites buildings repair.

34. Work on the Carbon Management schemes has not yet commenced and it is projected that £10k will be spent in 2008/09 on the Fire and Safety Regulation scheme requiring £90k to be re-profiled into 2009/10.

Social Services

35. The approved capital programme for Social Services is £282k following the adjustments made at Monitor 2. No adjustments are required as a result of this monitor and therefore the capital programme for Social Services is projected to outturn at £282k. Table 11 states the budget for the current and two subsequent years.

Gross Social Services Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Approved Capital Programme	0.282	0.397	0.331	1.010

Table 11 Social Services Capital Programme 2008 – 2011

Summary

36. As a result of the changes reported to the directorate EMAP meetings the revised three year capital programme is summarised in Table 12.

Gross Capital Programme	2008/09	2009/10	2010/11	Total
	£m	£m	£m	£m
Current Programme	60.537	59.803	47.954	168.294
<u>Adjustments :</u>				
City Strategy	(0.030)	0.000	0.000	(0.030)
Housing	(0.120)	0.000	0.000	(0.120)
Leisure and Culture	0.010	0.000	0.000	0.010
Neighbourhood Services	0.000	0.027	0.000	0.024
Resources	0.311	0.000	0.000	0.311
<u>Re-profiling:</u>				
Children's Services	0.655	(0.655)	0.000	0.000
City Strategy	(0.149)	0.149	0.000	0.000
Housing	(0.052)	0.052	0.000	0.000
Neighbourhood Services	(0.323)	0.323	0.000	0.000
Chief Executives	(0.590)	0.590	0.000	0.000
Revised Programme	60.249	60.289	47.954	168.492

Table 12 Revised Three Year Capital Programme

Funding the 2008/09 Capital Programme

37. The current capital programme is funded from a number of externally funded sources, along with capital receipts raised from the sale of surplus assets.

38. Following the adjustments made as part of this report, the revised capital programme is £60.249m. Funding from external sources and prudential borrowing is £46.237m, leaving a balance of £14.012m to be funded from capital receipts. Table 13 illustrates the funding breakdown of the capital programme and includes 2011/12 and 2012/13 to show the Administrative Accommodation project re-profiled in future years.

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Gross Capital Programme	60.249	60.289	47.954	12.274	8.526	189.292
Funded by						
Supported Borrowing	7.418	9.399	10.282	0.000	0.000	27.099
Grants and Contributions	34.528	36.449	24.988	0.000	0.000	95.965
Prudential Borrowing	4.291	0.737	7.796	12.274	8.526	33.624
Total Non Corporate Funding	46.237	46.585	43.066	12.274	8.526	156.688
Funding to be Financed from Capital Receipts	14.012	13.704	4.888	0.000	0.000	31.974
Expected Capital Receipts	(5.932)	(8.359)	(11.272)	0.000	0.000	(25.563)
Receipts b/fwd (surplus)/deficit	(9.617)	(1.537)	3.808	(2.576)	(2.576)	(2.576)
Receipts c/fwd (surplus)/deficit	(1.537)	3.808	(2.576)	(2.576)	(2.576)	

Table 13 – Capital Programme Funding and Receipts Position

39. As part of the budget setting process, a list of asset sales were agreed by the Council for reinvestment in the capital programme. The budgeted receipts for 2008/09 was set at £13.067m and revised down to £7.740m as a result of monitor 2 adjustments. Latest projections estimate that £5.392m will be received in 2008/09 of which £808k from asset sales have been received to date.

40. Table 13 shows a surplus position of capital receipts of £2.576m. (It should be noted that this is in respect of general receipts, any variations where a receipt is specific to a project/scheme are monitored on a scheme by scheme basis and any variations usually picked up

within the project itself). The consideration of the overall funding of the capital programme for future years is the subject of the Capital Budget 2009/10 - 2012/13 paper (meeting of the Executive 16 February 2009) which considered the capital programme over the next 5 years, the ongoing commitments, and options for funding.

41. Following the adjustments made to the capital programme in this monitor there is a decrease of £81k in the level of receipts required from schemes currently approved in the programme.
42. The decrease in requirements for capital receipts are as due to:
 - a. Housing Services requirement for capital receipts funding has reduced as a result of the Homeless Hostel under spend. This under spend has reduced the call on the Right to Buy Receipts (RTB) that had been allocated to this scheme (note the RTB receipts are brought forward from 2007/08 and are not RTB received in 2008/09 year) allowing the RTB receipts to be used for funding the Disabled Facilities Grant thus reducing the call on capital receipts from £274k to £218k.
 - b. City Strategy no longer require the £25k allocation for work to Oulston Reservoir is no longer needed as a further inspection has confirmed that the work is not required. The capital receipt funding that had been allocated to fund this scheme is therefore no longer required and can go back into the capital receipts available.
43. The capital programme continues to be reliant on a number of high value, high risk receipts, which if not achieved would require the Council to review its existing spending commitments. Monthly monitoring of capital receipts will identify any problems in receipt timing and will be reported accordingly to the Executive in the next monitoring report.

Prudential Indicators

44. The prudential indicators as at monitor 3 are attached at Annex B covering a period of 3 years up to 2010/11. No significant variations compared to previous in year updates are being reported as a result of this report.

Corporate Priorities

45. The capital programme is decided through a formal process, using a Capital Resource Allocation Model (CRAM). CRAM is a tool used for allocating the Council's scarce capital resources to schemes that meet corporate priorities.

Implications

Financial Implications

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

Human Resources Implications

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

Equalities Implications

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

Legal Implications

49. There are no legal implications as a result of this report

Crime and Disorder

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

Information Technology

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

Property

52. 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 38-43.

Risk Management

53. The capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Capital Asset Management Group (CAMG) meets regularly to plan monitor and review major capital receipts to ensure that all capital risks to the Council are minimised.

Recommendations

54. The Executive is requested to:

- Approve the 2008/09 revised budget of £60.249m as set out in paragraph 6 and Table 2.
- Approve the slippage of £459k from 2008/09 to future years, resulting in a revised programme of £60.289m in 2009/10

- Approve the restated three year capital programme for 2008/09 – 2010/11 as set out in paragraph 36, Table 12 and as set out in detail in Annex A.
- Note the capital receipt projections for 2008/09 to 2012/13 as summarised in Table 13

Reason: to enable the effective management and monitoring of the Council's capital programme

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Director of Resources

**Report
Approved**

Date 16/02/09

Ian Floyd
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**Report
Approved**

Date 16/02/09

Specialist Implications Officer(s)

N/a

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

2008/09 – 2010/11 Capital Budget Report
Budget Control 2008
Department Capital Monitoring Updates
Prudential Indicator Working Papers

Annexes

Annex A – Restated Capital Programme 2008/09 to 2010/11
Annex B – Prudential Indicators 2008/09 to 2010/11