

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

### **CAPITAL PROGRAMME – MONITOR ONE**

#### **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 August 2008 reflecting the capital monitor one reports taken to Executive Member with Advisory Panel (EMAP) meetings for each department;
  - 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 21<sup>st</sup> February 2008. Since then a number of amendments have taken place as reported to the Executive in the 2007/08 Capital Outturn paper. These changes have resulted in a current approved capital programme for 2008/09 of £75.942m, financed by £52.375m of external funding, leaving a cost to the Council of £23.567m to be financed from capital receipts. Table 1 illustrates the movements from the start budget to the current approved position.

	<b>Gross Budget £m</b>	<b>External Funding £m</b>	<b>Cost to CYC £m</b>
Original Budget Approved by Council at 21 Feb 2008	<b>86.152</b>	<b>63.087</b>	<b>23.065</b>
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)
<b>Current Approved Capital Programme</b>	<b>75.942</b>	<b>52.375</b>	<b>23.567</b>

**Table 1 Current Approved Capital Programme**

## **Consultation**

- 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**

- There is an overall decrease of £12.012m in the 2008/09 capital programme, mainly because of the delays encountered with regard to the Administrative Accommodation project. This results in a revised capital programme budget of £63.930m, £21.905m higher than 2007/08 capital outturn.
- In year capital receipts, are forecast to be down against the target by £3.983m, this is primarily because of timing issues with the majority of the slippage expected early in 2009/10. It should however be noted that a significant single capital receipt is currently projecting to under achieve its budgeted disposal value of £1.2m. This underachievement along with other minor variations leaves the Council in a weak capital funding position prior to applying the reclassified PFI funds.
- Against the current approved budget of £75.942m, there is a predicted outturn of £63.930, a net decrease of £12.012m made up of:
  - Additional schemes costing £218k.
  - The re-profiling of budgets from 2008/09 to future years of £12.230m.
Table 2 outlines the variances reported against each portfolio area.

<b>Department</b>	<b>Current Approved Budget £m</b>	<b>Projected Outturn £m</b>	<b>Variance £m</b>	<b>Paragraphs</b>
Children's Services	33.347	33.217	(0.130)	10
City Strategy	8.196	8.439	0.243	11
Economic Development	0.158	0.158	0.000	12
Housing	8.953	8.817	(0.136)	13-14
Leisure and Culture	5.643	5.389	(0.254)	15-17
Neighbourhood Services	0.541	0.944	0.403	18-19
Resources	18.773	6.534	(12.239)	20-21
Social Services	0.331	0.332	0.001	22
Hazel court	0.000	0.100	0.100	23
<b>Total</b>	<b>75.942</b>	<b>63.930</b>	<b>(12.012)</b>	

**Table 2 Capital Programme Forecast Outturn 2008/09**

7. To the end of August there was £18.865m of capital spend representing 25% of the approved budget, compared to 23% for the same period in 2007/08.
8. The main highlights of this report are:
  - a. The completion and handover of Carr Integrated Children's Centre, completion of the New Earswick Centre, completion of St Lawrence's Centre with an official opening date in September and the progression of the Haxby Road Centre with completion expected in autumn.
  - b. The progression of the £3.5m Manor School scheme with work totalling £3m due to take place this year.
  - c. The progression of the York High school development with handover of the £12.6m school due to take place in December of this year ready for use by spring 2009.
  - d. Work is under way on the £29.5m Joseph Rowntree One School Pathfinder following the approval of the final business case by Partnership for Schools in July. The project is expected to complete by February 2010.
  - e. Building work has commenced on the new pool on the York High site. Spend of nearly £4.5m is due in year on the York High Pool.
  - f. Schemes within the City Strategy are on schedule to achieve their programme of works by the end of the year. This includes expenditure of £5.9m on the Local Transport Plan (LTP) and £1.5m on highways resurfacing and reconstruction.
  - g. The upgrading of 570 heating systems along with the insulation of 62 homes totalling £1.356m
  - h. Work on over 300 properties within the tenants choice modernisation scheme totalling £3.680m along with £854k spent on re-roofing and installation of new windows under modernisation schemes.

## Analysis

9. The Executive Member with Advisory Panels (EMAP's) met during September 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 (EMAP – 4 September 2008)**

10. The current approved capital programme for Education and Children's services for 2008/09 is £33.347m following the adjustments made at 2007/08 outturn. As a result of changes made at the first monitor, the 2008/09 capital programme will decrease by £0.130m to £33.217m. Table 3 gives a summary of the changes on a scheme by scheme basis.

<b>Gross Education and Children's Capital Programme</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current Approved Capital Programme	<b>33.347</b>	<b>31.670</b>	<b>20.653</b>	<b>85.670</b>
<u>Adjustments:</u>				
Youth Capital Fund	0.070	0.070	0.070	0.210
<u>Reprofiling:</u>				
NDS Modernisation	(0.200)	0.200		0.000
<b>Revised Capital Programme</b>	<b>33.217</b>	<b>31.940</b>	<b>20.723</b>	<b>85.880</b>

**Table 3 Education and Children's Services Capital Programme 2008-11**

### **City Strategy (EMAP – 8 September 2008)**

11. The current approved capital programme for City Strategy is £8.196m following the adjustments made at 2007/08 outturn. As a result of changes contained in the Monitor 1 EMAP report the capital programme will increase by £243k to £8.439k. Table 4 gives a summary of the changes on a scheme by scheme basis.

<b>Gross City Strategy Capital Programme</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current Approved Capital Programme	<b>8.196</b>	<b>6.566</b>	<b>6.050</b>	<b>20.812</b>
<u>Adjustments:</u>				
Developers Contributions	0.243			0.243
<b>Revised Capital Programme</b>	<b>8.439</b>	<b>6.566</b>	<b>6.050</b>	<b>21.055</b>

**Table 4 City Strategy Capital Programme 2008-11**

### **Economic Development (EMAP – 8 September)**

12. The approved capital programme for Economic Development is £0.158m following the adjustments made at 2007/08 outturn. No changes are anticipated as part of this monitor. Table 5 confirms the current budget.

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

**Table 5 Economic Development Capital Programme 2008 -11**

### **Housing (EMAP – 8 September 2008)**

13. The approved capital programme for Housing services is £8.953m following the adjustments made at 2007/08 outturn. As a result of changes made in this monitor, the capital programme has been decreased by £136k to £8.817m. Table 6 gives a summary of the changes on a scheme by scheme basis.

<b>Gross Housing Capital Programme</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>Total £m</b>
Current Approved Capital Programme	<b>8.953</b>	<b>8.451</b>	<b>8.619</b>	<b>26.023</b>
<b>Adjustments:</b>				
Repairs to Local Authority Properties	(0.078)			(0.078)
MRA schemes	(0.058)			(0.058)
<b>Revised Capital Programme</b>	<b>8.817</b>	<b>8.451</b>	<b>8.619</b>	<b>25.887</b>

**Table 6 Housing Capital Programme 2008 - 2011**

14. With regard to funding the Housing programme the Disabled Facilities Grant scheme relies upon £274k of Right to Buy receipts from the sale of Council dwellings. So far this financial year there has been no RTB sales. It is projected that a level of £120k of RTB receipts should be achieved by the end of the year however this does leave a shortfall of £154k which will need to be met from capital receipts or the programme reduced.

### **Leisure and Culture (EMAP – 2 September 2008)**

15. The approved capital programme for Leisure and Culture services is £5.643m following the adjustments made at 2007/08 outturn. As a result changes made in this monitor, the capital programme will be decreased by £0.254m to £5.389m. Table 7 gives a summary of the changes on a scheme by scheme basis.

<b>Gross Leisure and Culture Capital Programme</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Programme as 07/08 outturn	<b>5.643</b>	<b>2.942</b>	<b>1.100</b>	<b>9.685</b>
<u>Adjustments:</u>				
Museum Service Heritage Lottery Bid	(0.255)			(0.255)
War Memorial Gardens	(0.020)			(0.020)
York Pools Strategy outturn PB		0.471		0.471
York Pools Strategy	0.012	0.022		0.034
<u>Reprofiling:</u>				
War Memorial Gardens	(0.010)	0.010		0.000
York Pools Strategy	0.019	(0.019)		0.000
<b>Revised Capital Programme</b>	<b>5.389</b>	<b>3.426</b>	<b>1.100</b>	<b>9.915</b>

**Table 7 Leisure and Culture Capital Programme 2008 - 11**

16. The first key change is the removal of £255k from the Museum Service Heritage Lottery Bid scheme. Accounting rules no longer permit the advancement of loans of this nature from Prudential Borrowing. The loan has instead been advanced from Leisure and Culture reserves.

17. The second key change is the inclusion in the programme of the additional £471k with regard to the Oakland's Pool funding shortfall as resolved in the 07/08 outturn report.

#### **Neighbourhood Services (EMAP – 4 September 2008)**

18. The approved capital programme for Neighbourhood services is £541k following the adjustments made at 2007/08 outturn. As a result of this monitor, the capital programme will increase by £403k to £944k. Table 8 gives a summary of the changes on a scheme by scheme basis.

<b>Gross Neighbourhood Services Capital Programme</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current Approved Capital Programme	<b>0.541</b>	<b>0.000</b>	<b>0.000</b>	<b>0.541</b>
<u>Additions:</u>				
Contaminated Land Investigation	0.039			0.039
Waste Infrastructure Capital Grant	0.360	0.361	0.133	0.854
Ward Committees	0.004			0.004
<b>Revised Capital Programme</b>	<b>0.944</b>	<b>0.361</b>	<b>0.133</b>	<b>1.438</b>

**Table 8 Neighbourhood Services 2008 – 2011**

19. The key change is an increase in the Waste Infrastructure Capital Grant (WICG). This is a new grant from DEFRA to enable local authorities to invest in front end waste infrastructure, notably recycling and composting and totals £854k over a three year period.

### **Resources (EMAP – 9 September 2008)**

20. The approved capital programme for Resources is £18.773m following the adjustments made at 2007/08 outturn. As a result of this monitor, the 2008/09 capital programme decrease by £12.239 to £6.534m. Table 9 gives a summary of the changes on a scheme by scheme basis.

<b>Gross Resources Services Capital Programme</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>Total £m</b>
Current Approved Capital Programme	<b>18.773</b>	<b>17.616</b>	<b>3.213</b>	<b>39.602</b>
<b>Additions:</b>				
IT Equipment	(0.200)			-0.200
Admin Accom		3.500		3.500
<b>Reprofiling:</b>				
Admin Accom	(11.789)	11.789		0.000
Carbon Management	(0.250)	0.250		0.000
<b>Revised Capital Programme</b>	<b>6.534</b>	<b>33.155</b>	<b>3.213</b>	<b>42.902</b>

**Table 9 Resources Capital Programme 2008 –2011**

21. The key change is the re-profiling of the Administrative Accommodation scheme budget into 2009/10 as a result of the withdrawal of the planning application. The Hungate Council Headquarters Update report taken to the Executive on 9 September sets out the latest position and current status of the scheme. The additional £3.5m budget as approved by the Executive on the 17<sup>th</sup> June has been added into the 2009/10 financial year when it is projected this additional construction budget will be required.

### **Social Services (EMAP – 8 September 2008)**

22. The approved capital programme for Social Services is £332k following the adjustments made at 2007/08 outturn. The capital programme for Social Services is projected to outturn at £332k. Table 10 states the budget for the current and two subsequent years.

<b>Gross Resources Services Capital Programme</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>Total £m</b>
Current Approved Capital Programme	<b>0.332</b>	<b>0.305</b>	<b>0.280</b>	<b>0.917</b>

**Table 10 Social Services Capital Programme 2008 – 2011**

## Hazel Court Depot

23. As part of the sale of Foss Islands Road Depot the eco- Depot at Hazel Court was built. It was first reported to the Executive as part of the 2007/08 outturn report that the final account has now been agreed and the Council was owed an additional £300k. The £300k was allocated to address the small funding shortfall identified when the 2008/09 to 2010/11 capital programme was set. Work outstanding at Hazel Court comprised of the wind turbine, landscaping and top surfacing requiring funds of £100k. The Council will have to meet the cost of the work from capital receipts thus placing pressure on the funding gap.

## Summary

24. As a result of the changes reported to the directorate EMAP meetings the revised three year capital programme is summarised in Table 11.

<b>Gross Capital Programme</b>	<b>2008/09 £m</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>Total £m</b>
<b>Current Programme</b>	<b>75.942</b>	<b>67.550</b>	<b>39.915</b>	<b>183.407</b>
<b>Adjustments :</b>				
Children's Services	0.070	0.070	0.070	0.210
City Strategy	0.243			0.243
Housing	(0.136)			(0.136)
Leisure and Culture	(0.263)	0.493		0.230
Neighbourhood Services	0.403	0.361	0.133	0.897
Resources	(0.200)	3.500		3.300
Hazel Court	0.100			0.100
<b>Reprofiling:</b>				
Children's Services	(0.200)	0.200		0.000
Leisure Services	0.009	(0.009)		0.000
Resources	(12.039)	12.039		0.000
<b>Revised Programme</b>	<b>63.930</b>	<b>84.204</b>	<b>40.118</b>	<b>188.252</b>

**Table 11 Revised Three Year Capital Programme**

## Funding the 2008/09 Capital Programme

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

26. Following the adjustments made as part of this report, the revised capital programme is £63.930m. Funding from external sources and prudential borrowing is £45.845m, leaving a balance of £18.085m to be funded from capital receipts. Table 12 illustrates the funding breakdown of the capital programme with Confidential Annex B giving



details of individual properties, indicative values and timescales for sale.

	2008/09 £m	2009/10 £m	2010/11 £m	Total £m
Gross Capital Programme	63.930	84.204	40.118	188.252
Funded by				
Supported Borrowing	6.823	10.355	10.282	27.460
Grants and Contributions	34.939	35.102	24.326	94.367
Prudential Borrowing	4.083	27.815	1.918	33.816
Total External Funding	45.845	73.272	36.526	155.643
Funding to be Financed from Capital Receipts	18.085	10.932	3.592	32.609
Expected Capital Receipts	(9.084)	(10.841)	(6.927)	(26.852)
Receipts b/fwd (surplus)/deficit	(4.127)	4.875	4.966	<b>1.631</b>
Receipts c/fwd (surplus)/deficit	4.875	4.966	1.631	

**Table 12 – Capital Programme Funding and Receipts Position**

27. 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, of which £0.076m has already being received. The latest capital receipt projections suggest that a further £9.008m will be achieved by the end of the financial year, which represents a £3.983m shortfall in year, which in the main are anticipated to be received in 2009/10. This has been partially offset by corresponding slippage on capital receipt funded spend however it does leave the funding of the programme in a deficit position prior to applying the reclassified PFI funding.
28. Following the adjustments made to the capital programme in this monitor it is anticipated that there will be a receipts deficit over the three year programme of £1.631m prior to applying the £4.032m resulting from the change in accounting rules. This compared to a surplus position of £0.198m as last reported to Members at 0708 outturn .
29. Three specific issues have contributed toward the worsening capital receipts of the Council. Two issues are with regard to non achievement of receipts and one is a cost pressure:
- a. The 08/09 Disabled Facilities Grant scheme within the Housing General Fund programme relies upon £274k of Right to Buy receipts from the sale of Council dwellings. So far this financial year there have been no RTB sales. It is projected that a level of £120k of RTB receipts should be achieved by the end of the year leaving a shortfall of £154k which will need to be met from capital receipts or the programme reduced. The capital funding position has assumed that the funding is awarded from capital receipts. If Members decide

not to fund the scheme the deficit of £1.631m would be reduced to £1.477m.

- b. A significant capital receipt earmarked for disposal is now projected to realise a value of £1.2m less than originally budgeted for. The reduction in value is associated with problems around planning on property.
- c. Work outstanding at Hazel Court comprising of a wind turbine, landscaping and top surfacing require funds of £100k. The wind turbine is essential in ensuring the Eco Depot meets its green credential targets and generates savings to repay the associated prudential borrowing used to fund the build. The Council will have to meet the cost of the work from capital receipts as no other funding is in place to finance the expenditure. It was first reported to the Executive as part of the 2007/08 outturn report that the final account has now been agreed and the Council was owed an additional £300k. This additional £300k helped to move the programme into a small surplus position at outturn 07/08. The capital funding position has assumed that the funding is awarded from capital receipts. If Members decide not to fund the work the capital receipts deficit of £1.631m would be reduced to £1.531m.

30. As highlighted above the deficit position of £1.631m is prior to applying the reclassified PFI funds of £4.032m. Table 13 illustrates the £4.032m being applied to the receipts brought forward figure in 2008/09 and demonstrates how this funding serves to put the Council back into a surplus position of £2.390m.

	2008/09	2009/10	2010/11	Total
Funding to be Financed from Capital Receipts	18.085	10.932	3.592	32.609
Expected Capital Receipts	(9.084)	(10.841)	(6.927)	(26.852)
Receipts b/fwd (surplus)/deficit	(8.159)	0.842	0.933	(2.402)
Receipts c/fwd (surplus)/deficit	0.842	0.933	(2.402)	

**Table 13 – Capital Programme Funding and Receipts Position inc reclassified PFI funds**

- 31. 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.
- 32. Consideration should be given to the creation of a contingency fund that could be used to address the shortfall in budgeted capital receipts

values. For example the £2.402m surplus position shown in table 13 could be held as a contingency to address future non attainment of receipt values thus reducing the associated funding risk that comes with relying upon capital asset disposals. Without a contingency the Council will continue to be exposed to fluctuations in receipt values that may in the future impact directly upon the delivery of the capital programme.

## **Corporate Priorities**

33. 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**

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

### **Human Resources Implications**

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

### **Equalities Implications**

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

### **Legal Implications**

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

### **Crime and Disorder**

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

### **Information Technology**

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

### **Property**

40. 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 27-31.

## **Risk Management**

41. 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 receipts to ensure that all capital risks to the Council are minimised.

## **Recommendations**

42. The Executive is requested to:

- Approve the 2008/09 revised budget of £63.930m as set out in paragraph 6 and Table 2.
- Approve the net slippage of £12.248m into future years and the additions of £217k in 08/09, £4.424m in 09/10 and £203k in 10/11.
- Approve the restated three year capital programme for 2008/09 – 2010/11 as set out in paragraph 24, Table 11 and as set out in detail in Annex A.
- Note the capital receipt projections for 2008/09 to 2010/11 as summarised in Table 12 and set out in Confidential Annex B.
- Note the use of the reclassified PFI funds to overcome the early years shortfall in funding.

43. The Executive is requested to recommend to Council:

- The funding of the shortfall on the Disabled Facilities Grant and additional works at Hazel Court from capital receipts.

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

## Contact Details

**Author:**

Ross Brown  
Corporate Accountant  
Corporate Accountancy  
Tel No. 551207

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Resources

**Report  
Approved**



**Date** 17/09/08

**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 EMAP Capital Monitoring Reports

**Annexes**

Annex A – Restated Capital Programme 2008/09 to 2010/11  
Confidential Annex B – Capital Receipt Projections 2008/09 to 2010/11