

AGENDA ITEM: 5

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Meeting	Cabinet Resources Committee
Date	5 January 2006
Subject	2005/06 Capital Programme Monitoring
Report of	Cabinet Member for Resources
Summary	This report provides an update on the capital programme and seeks approval for variations.

Officer Contributors	Borough Treasurer
Status (public or exempt)	Public
Wards affected	Not Applicable
Enclosures	Appendix A – Capital Programme Summary Appendix B – Non-Housing Variations Appendix C – Housing Variations Appendix D – Funding Summary
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not Applicable

Contact for further information: Ade Olagbaju 020 8359 7184

1. RECOMMENDATIONS

- 1.1 That the Committee note the projected outturn outlined in Appendix A.
- 1.2 That the Committee agree for non-housing;
 - a. Net slippage from 2004/05 of £4.973m is added to the current approved 2005/06 budget of £47.456m to give a total budget of £52.429m.
 - b. An increase of £0.150m in the 2005/06 budget for Frith Manor on the basis that the expenditure is fully funded by school contribution.
 - c. An increase of £0.550m in the capitalised redundancies budget and an increase of £0.429m in the Pericles budget for 2005/6.

This will increase the non-housing capital programme by £6.102m to give a total of £53.558m

- 1.3 That the Committee approve the variations to the Housing Capital Programme in respect of the changes outlined in Appendix C. This results in a net addition of £0.239m.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Budget Report to Council 1st March 2005
- 2.2 Delegated Powers Report 28th June 2005 – Tender Acceptance for the New Sure Start Children's Centre at Parkfield School.
- 2.3 Cabinet Resources 28th April 2005 - Redevelopment of The Hyde Primary School.
- 2.4 Delegated Powers Report 20th June 2005 Capital Programme 2005-06, NDS Modernisation (Condition) Programme.
- 2.5 Cabinet Resources 21 July 2005 - Capital Spend: Computers for Looked After Children.
- 2.6 Delegated Powers Report 9th December 2005 Revisions to Capital Programme.
- 2.7 Cabinet Resources 16th June 2005 – Housing Estates Regeneration schemes – Advanced purchase of properties in cases of personal hardship.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The need to ensure that the authority's capital expenditure plans are affordable and capital resources maximised. The Prudential Framework requires the monitoring of the capital programme and the impact on resources.

4. RISK MANAGEMENT ISSUES

- 4.1 Overspending can arise from poor estimating of project costs or failure to achieve external funding contributions. These risks can be minimised through regular budget monitoring and greater project control. One of the key roles of the Capital and Asset Group (CAG), an officer based group, is to manage the capital programme, to assess and reduce risk issues.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 The capital monitoring report focuses on the latest in-year position. Variations are summarised in Appendix A and explanations provided in Appendices B and C. Funding proposed for the programme is also outlined in Appendix D, together with a summary of funding changes arising from changes to the programme from the beginning of the year. The current approved

total capital budget for 2005/06 for housing and non-housing schemes is £90.142m. If the recommendations in this report are approved the overall programme will increase to £96.483m an increase of £6.341m.

- 5.2 A revised capital programme will be put together for the current year and future years shortly.

6. LEGAL

- 6.1 None.

7. CONSTITUTIONAL POWERS

- 7.1 This committee is responsible for monitoring the council's budgets.

8. BACKGROUND INFORMATION

- 8.1 The capital programme was agreed by Cabinet on 21 February and approved by Council on 1st March 2005. The non Housing capital programme is considered separately to the Housing capital programme to reflect the funding arrangements. The programme has been updated during the year to reflect changes to scheme approvals.

The non-Housing capital programme

- 8.2 The current approved budget of £47.456m reflects variations approved by members since the capital programme was approved by Council on March 1st. Net slippage from 2004/05 is £4.973m and approval is requested to add this to the 2005/06 programme as associated expenditure is expected to be incurred in 2005/06. This will give a new budget total of £52.429m. In addition to this further approvals of £1.129m are requested which are detailed below. The latest position can be seen in Appendix A. The projected outturn for 2005/06 is £50.152m and spend to 31st October is £16.934m.
- 8.3 Funding decisions on the programme are generally taken at the end of the year to ensure all possible external funding is utilised and maximised where possible. Capital receipts will be applied to finance capital expenditure incurred in 2005/06. The greater the amount of capital receipts applied to finance capital expenditure the lower the amount of capital expenditure that will need to be financed from borrowing. This means there will need to be continued close monitoring of the assets disposal programme as slippage will directly impact on the financing of the capital programme and hence the revenue budget.
- 8.4 The latest projected outturn of £50.152m is £2.277m less than the budget and crosses a range of services. The reasons for the major variances are commented on below:

Central Expenses - (overall variance for service +£0.535m)

- 8.5 The single largest variation is for capitalised redundancies which is £0.550m higher than the current approved budget. This report seeks approval to increase the budget by this amount. This is a budget that becomes increasingly under pressure in periods of restructuring and reorganisation and so it will be monitored closely. This will be funded from capital receipts.

Adults' Services (overall variance for service +£0.480m)

- 8.6 The single largest variation is for Older Adults Care Home Re-provisioning programme which is £0.501m higher than the current approved budget. The scheme is still subject to negotiations with the contractor and is likely to slip into 2006/07.

Education (overall variance for service -£2.681m)

- 8.7 The overall under spend on Education capital schemes includes £1.691m which has been set aside from the Modernisation Allocation for Primary Schools Capital Investment Programme. The year of use depends on when the scheme is implemented. The balance is for schemes such as Big Lottery Fund, Dollis and Underhill Infants, where it is estimated that the schemes will not be completed until 2006/07.

At Frith Manor school they have requested some additional works totalling £0.150k. This is being wholly funded by the school, so whilst it will increase the authorities spend it will not impact on borrowing. This report seeks formal approval to increase the capital budget for this amount.

Resources (overall variance for service +£0.285m)

- 8.8 The single largest variance contributing to this overspend is the projected outturn for Pericles which is £0.429m greater than the current approved budget. The projected overspend can be attributed to two main reasons. Firstly, problems with the functionality and performance of the Pericles solution and delays in resolving these, which together have extended the length of the project, extended the amount of time and effort involved in testing and rectification (both of which in themselves incur extra cost) and, in some cases, incurred other costs to resolve. The supplier's contribution to meeting the costs here are currently under contract discussions and the outcome is not known at this stage. Any contribution realised from the supplier will be returned as a budget under spend at a later stage. Secondly, an original expectation that the project could be delivered substantially without the need for additional staff resources within services and without this impacting on service delivery. However, the current downward pressure on service budgets means that spare capacity does not exist and staff time into the project must be backfilled at a cost to the project to avoid services performance being seriously impaired. The additional budget is required now so that the project can achieve its implementation target. A recent delegated powers report approved part of these additional costs. This report seeks approval to increase the 2005/06 budget to meet the remainder additional costs of £0.809m. The cost will be met from prudential borrowing, but may be reduced by contractors contributions.

Public Offices (overall variance for service -£0.644m)

- 8.9 Two schemes account for most of this under spend. The projected outturn for Friary House is nil and the outturn projected for NLBP at month7 is less than half of the available budget. Any unspent budget at year end is to slip into 2006/07.

The Housing capital programme

- 8.10 The latest position and the projected outturn can be seen in Appendix C. The appendix also reflects spend to 31st October and summarises the variations proposed to the different Housing Programmes.
- 8.11 The total proposed budget for the current year is £42.925m an overall net increase of £0.239m; of which £27.945m is for HRA and £14.980m for General Fund. The projected outturn is £42.875m. Several adjustments to the 2005/06 budget have been identified and brief summaries are given below.

Cash Incentives

- 8.12 The cash incentives programme is projected to spend £0.75m. This amount exceeds the current budget by £0.25m. It is proposed that the increase in budget is to be met from the Housing Association budget not now required.

Disabled Facilities Grant

8.13 Additional £0.063m has been allocated and this has to be match-funded by the Council to provide an additional budget of £0.105m for 2005/06.

Housing Renovation

8.14 The renovations programme managed by Barnet Homes is projected to spend £26.354m in 2005/06, approximately £1.2m less than the original budget. £1.2m is to be included in future year's programme. The main factor has been the time taken to set up the new major partnering agreements to deliver the Decent Homes Plus programme. Two of the three partners are now on-site and it is anticipated that the programme will accelerate.

Housing Association Programme

8.15 The projected outturn for the current year is £11.62m. This includes £3m for Stonegrove funded by the London Housing Board via Supported Borrowing. It is anticipated at this stage that the total projected will be spent this financial year. Many of the schemes in the programme are awaiting planning permission and once this is achieved the Registered Social Landlords will be claiming the appropriate grant from Barnet.

Housing Regeneration

8.16 This comprises an HRA and GF element. An additional budget of £0.121m is required for the HRA element of Housing Regeneration, increasing the current budget to £0.741.

Cabinet Resources on 16th June agreed the advance purchase of properties for Grahame Park. This is not in the original capital programme but now has to be added. Current spend is estimated as £4.5m with £2.5m falling in 2005/06 and the remainder in 2006/07. This is part of the General Fund element of housing schemes.

9. PRUDENTIAL INDICATORS

9.1 As part of the Prudential Framework and to ensure affordability and sustainability of the capital programme, the Council set prudential indicators and approved borrowing limits for 2005/06. Current indications are that the Capital Financing Requirement for the current programme remains affordable and the revenue costs can be met within the existing revenue budget.

9.2 Borrowing remains well within the approved limits approved by the Council back in March.

10. LIST OF BACKGROUND PAPERS

10.1 Working papers of officers.

Legal: JEL
BT: Pam Kettle

SUMMARY OF BUDGET VARIATIONS

NON HOUSING CAPITAL PROGRAMME - 2005/06

Service	Budget			Spend to 31 October	Projected Outturn £000	Forecast Variance £000
	Slippage £000	Current Approved £000	Total £000			
Law & Probity	47	127	174	124	263	89
Central Expenses	1,958	1,500	3,458	905	3,993	535
Children's Services	110	480	590	21	541	(49)
Adults Services	329	5,287	5,616	2,000	6,096	480
Education	810	17,681	18,491	4,569	15,810	(2,681)
Environmental Services	203	2,116	2,319	1,025	2,261	(58)
Highways & Design	1,235	9,533	10,768	3,864	10,516	(252)
Resources	87	8,429	8,516	4,284	8,801	285
Public Offices	140	1,824	1,964	105	1,320	(644)
Strategic Development	54	479	533	37	551	18
Total - Non Housing	4,973	47,456	52,429	16,934	50,152	(2,277)

HOUSING CAPITAL PROGRAMME - 2005/06 OUTTURN

Service	Budget		Spend to 31 October £000	Projected Outturn £000	Forecast Variance £000
	Budget £000	Proposed £000			
Cash Incentives	500	750	255	750	
Housing Regeneration	620	741		741	
Housing Renovation Programme	27,548	26,454	9,036	26,354	(100)
HOUSING REVENUE ACCOUNT	28,668	27,945	9,291	27,845	(100)
Renovation Grant			48	50	50
Disabled Facilities Grant	1,005	1,110	556	1,110	
Housing Association Programme	13,013	11,620	513	11,620	(0)
Regeneration		2,250	112	2,250	
HOUSING GENERAL FUND	14,018	14,980	1,228	15,030	50
Total Housing Capital Programme	42,686	42,925	10,519	42,875	(50)
Total Capital Programme	90,142	95,354	27,454	93,027	(2,327)

Add additional requests for approval in report, (figures not included in above)

Non Housing Capital Programme

- Frith Manor School

150

- Capitalised Redundancy Costs

550

- Pericles additional costs

429

Total Capital Programme for approval**96,483**