

2007/08 CAPITAL PROGRAMME BUDGET MONITORING

OVERALL SUMMARY POSITION

1. The capital programme forecast outturn for 2007/08 as at 30th November totals £53,168k, which is a decrease of £8,434k from the previous capital programme forecast outturn for 2007/08 as at 30th September. The decrease represents a reduction in the Herefordshire Connects and crematorium project capital forecasts for 2007/08. Further details of forecast changes are given in this report.
2. A summary of the overall capital programme position for 2007/08 is provided in table D1. Detailed capital programmes for directorates are reported to the relevant scrutiny committees. There is no unfunded capital expenditure and no conditional funding resources are expected to be lost.
3. Details of total capital scheme costs, their funding, spend to date and any potential issues for capital schemes with a revised forecast spend for 2007/08 exceeding £500k are provided in table D2.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

4. The capital programme forecast for this directorate has increased by £750k. The forecast expenditure in 2007/08 on Minster school replacement has increased by £766k to £866k. This is in line with the revised cash flow submitted to Department for Children's Services and Families (DCSF) following expectations that this scheme will go out to tender in December to complete in July 2010. This scheme is funded by DCSF grant.

CORPORATE AND CUSTOMER SERVICES DIRECTORATE

5. The capital programme forecast for this directorate has decreased by £256k. The forecast expenditure on disaster recovery has decreased by this amount because the scheme is under review. A successful capital bid for prudential borrowing funding was submitted in 2004/05, this bid is under review to ensure the expenditure plans fulfil the bid requirements. The prudential borrowing allocation has been carried forward into 2008/09.

HEREFORDSHIRE CONNECTS

6. Herefordshire Connects expenditure forecast has decreased by £7.475m to £944k representing the capital spend in 2007/08 to replace the current client systems used within both Adult and Community Services and Children and Young People Directorates as reported separately to Cabinet on the 13th December 2007. The remainder of the project is currently on hold.

ENVIRONMENT SERVICES DIRECTORATE

7. The capital programme forecast for this directorate has decreased by £1.365m. This represents the anticipated reduction in spend on the provision of a new crematorium in Hereford before March of £1.348m following the delayed signing of contract of works. This budget and associated prudential borrowing has been carried forward into 2008/09 when the works should be completed (work is expected to start on site in January). The profiling of spend on this scheme is being closely monitored to avoid VAT penalties described later in this report
8. Each scheme under the Local Transport Plan (LTP) has been reviewed and the expenditure forecast has been amended accordingly to reflect anticipated

expenditure. This has enabled the expected expenditure on Colwall Bailey bridge of £450k to be funded through the LTP allocation in 2007/08 (reported separately to Cabinet on the 13th December 2007). Actual spend to date on LTP funded schemes is low however this funding allocation is expected to be spent by using other contractors available through Amey.

VAT

9. The VAT position will now be included in as part of the budget monitoring reports. Herefordshire Council recovers VAT charged on supplies on a monthly basis. Authorities however have to analyse the VAT recovered to identify VAT recovered in relation to schemes classified as exempt from VAT (usually land and property schemes). This is because authorities can only recover exempt input VAT when it represents an insignificant proportion of the total VAT recovered, determined as 5%.
10. In 2006/07 the Council recovered 3.18% of exempt input tax. Current estimates for 2007/08 show a recovery of 3.24% of exempt input tax. Approximately 2% of the 5% relates to exempt input VAT incurred on recurring revenue expenditure each year leaving an ability to recover a total exempt input VAT of 3% on capital schemes. If the 5% limit is breached (even by £1) all the VAT recovered on exempt schemes becomes repayable, currently approximately £870k and a further financial review covering the previous ten years would be necessary which may result in further repayments.
11. A Partial Exemption calculation is updated following each round of capital budget monitoring so that pre-emptive action can be taken if necessary. One way of doing this is to opt to tax property transactions converting the supply from exempt to standard rated. This course of action is recommended in relation to the cattle market, Rotherwas futures and Edgar Street Grid property transactions. However the provision of a crematorium is a VAT exempt scheme which cannot be opted to tax so must be managed within the 5% limit. Currently cashflow predictions show that the bulk of expenditure in 2008/09 can be accommodated within the 5% limit but this position will require careful monitoring and does mean that no other capital expenditure on VAT exempt schemes can go ahead in 2008/09.

Prudential Borrowing Position as at 30th November 2007

12. A summary of the Prudential Borrowing position for 2007/08 is set out below.

2007/08 Original Prudential Borrowing Allocation		£16,995,000
Add: Subsequent Allocation (Rotherwas Enterprise)		£90,000
Add: Slippage from 2006/07		£16,288,000
Less: Slippage into future years	(£22,874,000)	
No longer required	(£1,078,000)	
Funded by available SCE(R)	(£125,000)	(£24,077,000)
Forecast use of Prudential Borrowing in 2007/08		<u>£9,296,000</u>

Capital Receipts Reserves Position as at 30th November 2007

13. The capital receipts reserve totals £22.426m as at 1st April 2007. £7.103m will be used to fund 2007/08 capital programme. The remaining balance will be used to fund future year's capital programme including strategic housing, Rotherwas futures and cattle market.

TABLE D1

FUNDING OF REVISED 2007/08 CAPITAL PROGRAMME

Capital Programme Area	2007/08 Revised Forecast 30/11/07	SCE(R)	Prudential Borrowing	Grant	Revenue Contribution	Capital Receipts Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Children & Young People's Services	12,234	2,163	2,275	5,127	-	2,669
Resources	1,967	-	254	1,618	60	35
Corporate and Customer Services	322	-	322	-	-	-
Herefordshire Connects	944	-	944	-	-	-
Environment Services	27,566	7,582	4,088	15,803	45	49
Adult and Community Services	10,135	218	1,413	4,097	56	4,350
Total Revised Forecast	53,168	9,963	9,296	26,645	161	7,103
<i>September Forecast</i>	<i>61,602</i>	<i>9,963</i>	<i>16,503</i>	<i>25,291</i>	<i>54</i>	<i>9,791</i>
<i>Change from September</i>	<i>(8,434)</i>	<i>-</i>	<i>(7,207)</i>	<i>1,354</i>	<i>107</i>	<i>(2,688)</i>

<u>Reported to date</u>						
<i>Original Budget</i>	<i>65,462</i>	<i>9,963</i>	<i>28,256</i>	<i>18,358</i>	<i>170</i>	<i>8,715</i>
<i>July 2007 Forecast</i>	<i>62,433</i>	<i>9,963</i>	<i>15,926</i>	<i>25,781</i>	<i>54</i>	<i>10,709</i>
<i>Sept 2007 Forecast</i>	<i>61,602</i>	<i>9,963</i>	<i>16,503</i>	<i>25,291</i>	<i>54</i>	<i>9,791</i>
<i>Nov 2007 Forecast</i>	<i>53,168</i>	<i>9,963</i>	<i>9,296</i>	<i>26,645</i>	<i>161</i>	<i>7,103</i>

TABLE D2

Schemes with a forecast spend exceeding £500k in 2007-08

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Current 2007-08 expenditure forecast £'000	Actual spend to 30-11-07	Comments
Children & Young People's Services					
Sutton Primary Replacement School	2,811	Grant, Parish Council & capital receipts	2,144	914	Scheme running six weeks behind schedule however no funding issues reported to date
Riverside Amalgamation	9,005	Grant & capital receipts	4,540	2,004	Scheme in progress, should complete ahead of schedule
Minster School Replacement	20,086	Grant	866	33	To go out to tender in December 2007
Condition property works	n/a	SCE®	900	623	Annual programme of works
Resources					
Property Purchase	1,446	Grant	1,446	1,409	Purchase under Edgar St Grid development
Corporate & Customer Services					
Herefordshire Connects – Social Care Solution	1,452	Prudential borrowing	944	-	Remainder of capital scheme currently on hold
Environment Services					
Rotherwas Access Road	11,697	Grant, LTP & prudential borrowing	7,459	4,374	This forecast does not include compensation claims that may become payable
Crematorium	3,150	Prudential borrowing	810	189	Cashflow requires careful management to avoid a VAT PE breach
Road Maintenance	n/a	LTP allocation	5,417	3,020	Annual programme of works yet to be fully committed for the year

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Current 2007-08 expenditure forecast £'000	Actual spend to 30-11-07	Comments
Hereford Flood Defences	2,172	Private developer	2,172	-	Pending completion of legal agreement
Footways	n/a	LTP allocation	1,065	222	Annual programme of works
Ross on Wye Flood Alleviation	6,974	Grant	5,000	1,167	Scheme in progress
Assessment Strength of Bridges	n/a	LTP allocation	700	361	Annual programme of works
Adult & Community Services					
Cattle Market	5,022	Capital receipts	1,150	134	Indications are that project cost will exceed initial assessments
Affordable Housing Grants	n/a	Capital receipts	2,000	1,421	Annual programme of works
Private Sector Housing	n/a	Grant & capital receipts	953	305	Annual programme of works
Friar St Museum and Resource Centre	2,040	Grant, prudential borrowing & capital receipts	1,364	796	Scheme delayed by eleven weeks effect on cost still under negotiations
Rotherwas Futures Est. Dev. Work	4,358	Grant & capital receipts	668	102	Scope of scheme to be finalised
Disabled Facilities Grant	n/a	Grant & capital receipts	712	373	Annual programme of works
Aylestone Hill Park	627	Prudential borrowing & private developer	507	515	Scheme complete
Total			40,817	17,962	
Schemes with a forecast spend in 2007/08 of less than £500,000			12,432	4,322	
Total			53,249	22,284	