

CAPITAL PROGRAMME MONITORING 2004/05

TO 30 NOVEMBER 2004

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

13TH JANUARY 2004

Wards Affected

County-wide

Purpose

To note the current position of the Capital Programme forecast for 2004/05, including a review of Prudential Borrowing and the current position regarding Prudential Indicators.

Key Decision

This is not a Key Decision.

Recommendation

THAT the position be noted.

Reasons

Report for noting only.

Considerations

1. This report is broken down into two sections. The first section reports on the current position of the capital programme and prudential borrowing. The second section reports on the current position of Prudential Indicators.

Capital Programme Monitoring

2. This is the third round of the 2004/05 capital monitoring process. The purpose of this monitoring exercise is to update the capital budget position, as at 30th November, reporting new funding allocations and to manage any slippages or overspends.

Overview

3. The revised forecast outturn for 2004/05 as at 30th November totals £33,907,000, an increase of £904,000 from the budget reported at the end of September. An explanation of this change is detailed in the body of this report. This programme is funded as detailed in Appendix 1.

4. Cabinet allocated Prudential Borrowing of £4,741,000 to various capital schemes on the 22nd July, 2004. The current forecast for 2004/05 is £4,313,000 owing to slippage of £428,000 being identified. It is expected that further amounts of the 2004/05 allocation may slip into 2005/06 but as this funding is unconditional no resources will be lost. Only 23% of the revised forecast of Prudential Borrowing has been spent to date.
5. Each individual capital project has an expected spend profile and expected spend in the first eight months was 64% of the revised forecast. However, actual spend at £15,352,000 was just 45% of the revised forecast. Actual spend reported at this time last year was 60%. A summary of the expenditure for each service area is set out on Appendix 2.
6. Set out in Appendix 3 is a list of all capital schemes with a budget in excess of £500,000. The detailed capital programme listing all capital schemes can be found on the Intranet. (*Information Library > Treasurers > Financial Policy > Capital > Capital Programme*).
7. Set out in Appendix 4 is a list of capital receipts received and expected in 2004/05.

Capital Programme Areas

9. Education

The capital budget for this area has increased in this round of capital monitoring by £43,000. This is mainly owing to an allocation of SCE(R) capital funding towards the Minister College specialist sports project. Unless spend accelerates towards the year end there will be slippage on capital schemes. The funding is earmarked and will be carried forward into future years.

10. Social Care

The budget for this area has decreased by £247,000 owing to slippage on the Community Equipment and ICT Development capital schemes approved by Cabinet in July. This slippage will be included in the 2005/06 Social Care capital programme.

11. Property

The budget for this area has not changed during this round of capital monitoring. Actual spend to date is lower than expected; the position is being reviewed monthly.

12. Policy and Finance

The budget for this area has not changed during this round of capital monitoring.

13. ICT Services

The budget for this area has increased by £1,253,000 in this round of capital monitoring. This is because grant funding has been secured towards the Herefordshire-in-Touch E Gateway Phase 2 capital project. This project will provide a new e-Gateway delivery platform for the electronic delivery of information and services. This will contribute to funding legislative, statutory and target objectives in delivering information and services via the Internet.

14. **Environment General**

The budget for this area has decreased by £70,000. Delays have been encountered on the Crematorium capital scheme resulting in slippage on capital spend into 2005/06. The Council has also received confirmation of £26,000 SCE(R) funding towards the Stretton Sugwas Landfill site remediation and investigation capital works. Actual spend to date is lower than expected. However, committed spend represents 52% of the revised forecast.

15. **Social Development**

The budget for this area has decreased by £75,000. This is because consent has not yet been received from English Heritage for the removal of silt from the Castle Pool. The budget has been re-profiled into 2005/06. A cost benefit should arise if the timing of the silt removal were to coincide with works at the Aylestone Hill Park.

16. **Economic Development**

There are no budget changes to be reported for this area in this round of capital monitoring. The total cost of the Leominster Industrial Estate Access Road will be reported separately to Cabinet.

17. **Strategic Housing**

There are no budget changes to be reported for this area in this round of capital monitoring.

Prudential Indicators

18. As Cabinet will recall from previous reports, the Prudential Code applies from 2004/05 onwards. The key objectives of the Code are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
19. Cabinet endorsed a range of Prudential Indicators (PIs) on 19th February, 2004 and these are required to be monitored on a regular basis. This will be achieved by enhancing the existing Capital Programme monitoring process to include specific PI information. Any significant deviations from expectations are to be highlighted and reported accordingly.
20. The Prudential Code recommends the PIs set out below. The framework of PIs covers Capital Expenditure and Treasury Management and includes the following:
 - Actual and estimated capital expenditure for the current and future years (Appendix 5).
 - Ratio of financing costs to net revenue stream (Appendix 6).
 - Capital Financing Requirement (Appendix 7).
 - Authorised limit for External Debt (Appendix 8).
 - Operational boundary for External Debt (Appendix 9).
 - Council Tax implications of the incremental effect of capital decisions (Appendix 10).
 - Treasury Management Indicators (Appendix 11).

Conclusion

Capital programme actual spend to date is lower than expected and may be a cause of concern should spending not accelerate. Prudential Indicators are being monitored as required by the Prudential Code.

Alternative Options

There are no alternative options.

Consultees

Not applicable.

Risk Management

Capital Programme and Prudential Indicator monitoring is an integral part of risk management. Potential over and under spends are highlighted at the earliest opportunity so adjustments can be made accordingly.

Background Papers

None identified.

APPENDIX 1

FUNDING OF REVISED 2004/05 CAPITAL PROGRAMME

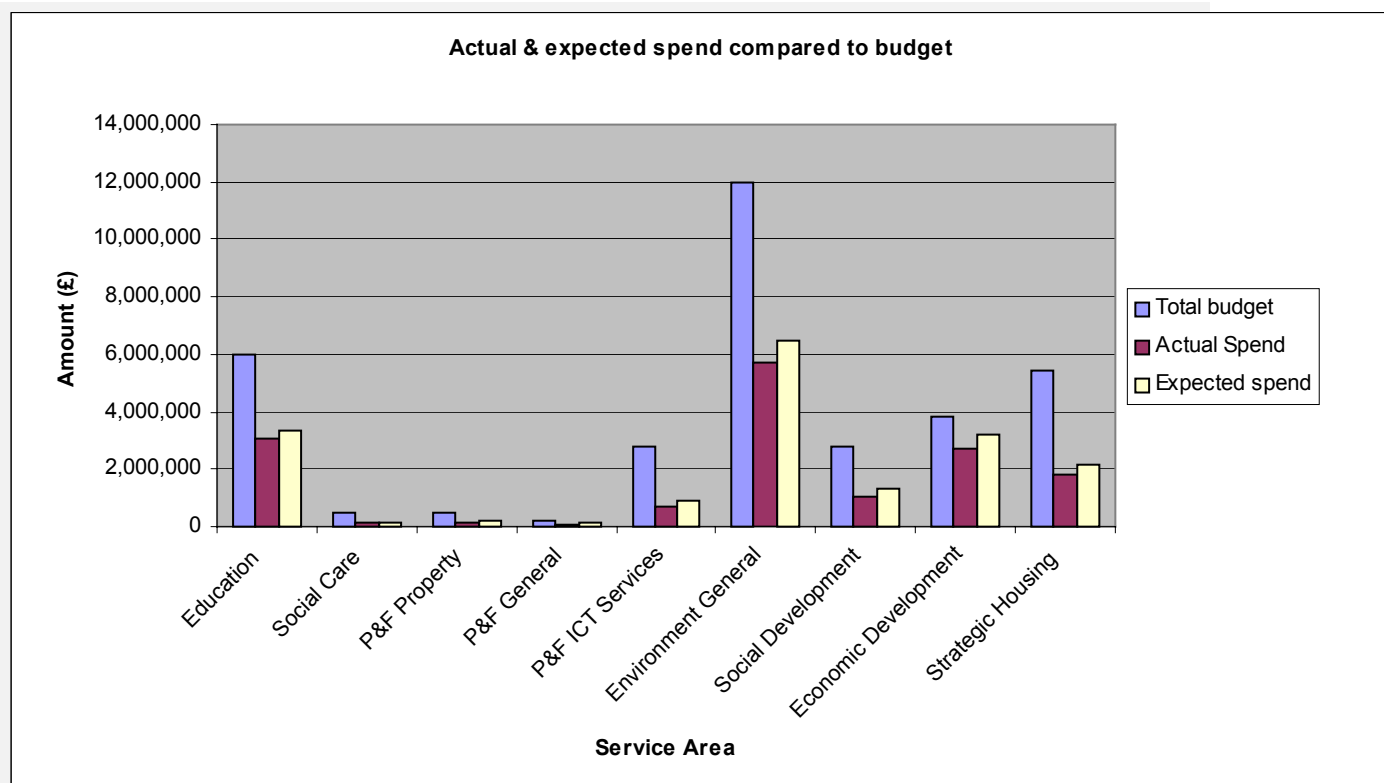
Capital Programme Area	2004/05 Revised Forecast 30/11/04	SCE(R)	Prudential Borrowing	LPSA UCA	Grants	Revenue Contribution	Capital Receipts Reserves	Unfunded
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	5,857	3,411	-	-	2,381	65	-	-
Social Care	473	92	124	-	117	-	140	-
P&F – Property	503	-	300	-	25	6	172	-
P&F – General	265	-	4	-	60	100	90	11
P&F – ICT Services	2,803	-	1,020	126	1,541	-	116	-
Environment General	11,974	11,098	305	-	571	-	-	-
Social Development	2,792	-	2,050	-	667	-	75	-
Economic Development	3,805	-	310	-	1,638	-	1,647	210
Strategic Housing	5,435	2,055	200	-	585	-	2,595	-
Total Revised Forecast	33,907	16,656	4,313	126	7,585	171	4,835	221
Original Budget	34,938	16,483	5,000	-	8,585	-	4,870	-
Change from original budget	(1,031)	173	(687)	126	(1,000)	171	(35)	221

<i>Reported to date</i>								
<i>Original Budget</i>	34,938	16,483	5,000	-	8,585	-	4,870	-
<i>July Forecast</i>	32,921	16,430	4,511	126	6,479	247	5,055	73
<i>September Forecast</i>	33,003	16,529	4,479	126	6,103	258	5,287	211
<i>November Forecast</i>	33,907	16,656	4,313	126	7,585	171	4,835	221

APPENDIX 2

CAPITAL EXPENDITURE BY PROGRAMME AREA

	Outturn	Original Budget	Revised 2004/05 Forecast as at 30/11/04	Change from previous forecast as at 31/07/04	Actual spend at 30/11/04	Actual spend as a % of the revised forecast	Expected spend as a % of the revised forecast
Programme area	2003/04	2004/05	2004/05	2004/05	2004/05	2004/05	2004/05
	£'000	£'000	£'000	£'000	£'000	%	%
Education	8,248	7,014	5,857	43	3,034	52%	57%
Social Care	413	132	473	(247)	135	29%	23%
P&F – Property	2,142	402	503	-	119	24%	38%
P&F – General	924	25	265	-	87	40%	55%
P&F – ICT Services	882	127	2,803	1,253	716	26%	34%
Environment General	10,879	11,846	11,974	(70)	5,711	48%	54%
Social Development	460	2,467	2,792	(75)	1,070	39%	47%
Economic Development	4,157	4,092	3,805	-	2,682	71%	85%
Strategic Housing	4,929	5,633	5,435	-	1,798	33%	39%
Prudential Borrowing to be allocated	-	3,200	-	-	-	-	-
Total	33,034	34,938	33,907	904	15,352	45%	64%



APPENDIX 3

MAIN CAPITAL SCHEMES OF REVISED 2004/05 CAPITAL PROGRAMME

Capital Programme Area	Schemes with a Revised Forecast >£500,000
	£'000
Education schemes:	
Site Acquisitions	680
John Kyrle High – Sixth Form Extension	506
Weobley High – Science Laboratories	548
New Deal for Schools Condition Improvement Works	1,200
ICT Services schemes:	
ICT The Golden Thread Network Enhancement	770
Herefordshire in Touch E-Gateway Phase 2	1,229
Environment General schemes:	
Roman Road Improvements	3,270
Rural low floor bus project	500
Capitalised maintenance of principal roads	1,225
Capitalised maintenance of non-principal roads	3,272
Footways	550
Capitalised assessment & strength of bridges	500
Social Development schemes:	
Replacement Swimming Pool for North Herefordshire	1,709
Friar Street Museum Resource and Learning Centre	555
Economic Development schemes:	
Leominster Industrial Estate Access Road	3,049
Strategic Housing schemes:	
Social Housing Grants	3,100
<i>Other schemes with a revised forecast of less than £500,000</i>	<i>11,400</i>
Revised Forecast	34,063

APPENDIX 4

CAPITAL RECEIPTS FOR 2004/05

Sale Detail	Directorate Share	Directorate Share	Corporate Share	Total receipt
		£'000	£'000	£'000
<i>Received</i>				
The Old Goods Shed, Ross on Wye	50% Property	154	154	308
Wye Street Depot Store	50% Social Development	45	45	90
Trinity House	100% Corporate	-	300	300
Right to Buy Clawbacks, Discounts and Improvement Grant Repayments to date	100% Housing	152	-	152
Sub Total		351	499	850
<i>Anticipated</i>				
Various	100% Housing	1,660	-	1,660
Various	50% Property	35	35	70
Various	100% Corporate	-	800	800
Sub Total		1,695	835	2,530
Total		2,046	1,334	3,380

APPENDIX 5

ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

Capital Monitoring information is set out in the first part of this report. A forward looking capital programme is currently being prepared based on supported borrowing allocations, unsupported prudential borrowing, known grants, use of reserves and existing commitments. The forecast capital programme will be dependant upon the final allocation of supported borrowing sums and the level of any new prudential borrowing considered affordable and these are the subjects of a separate Cabinet report.

APPENDIX 6

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs. The Ratio has reduced in 2005/06 and 2006/07 mainly due to a reduction in the expected capital financing costs due to a revision of expected interest rates. The indicator will also change in due course based on revised estimates of the net revenue stream.

Ratio of financing costs to net revenue stream	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Net Revenue Stream (estimated)	169,444	175,320	184,239	194,241
As at 30/11/04 :-				
Capital Financing Costs	5,557	5,730	7,935	9,325
Indicator	3.28%	3.27%	4.31%	4.80%
As at 30/9/04 :-				
Capital Financing Costs	5,557	6,020	8,245	9,718
Indicator	3.28%	3.43%	4.48%	5.00%
Original Indicator	3.28%	4.12%	4.71%	5.35%

APPENDIX 7

CAPITAL FINANCING REQUIREMENT

This indicator represents the underlying need to borrow for a capital purpose. The indicator has reduced slightly mainly due to a reduced estimate of future supported borrowing allocations. Future years requirements includes a potential £5 million Prudential Borrowing per year. This indicator will change in due course as the allocation of supported and unsupported borrowing is confirmed. This indicator is affected by Governments decisions to provide capital funding either in the form of supported borrowing or by direct grant.

Capital Financing Requirement	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Revised 30/11/04	78,090	95,043	108,956	121,530
Revised 30/9/04	78,090	95,298	110,463	125,938
Original Indicator	78,090	94,892	111,063	126,538

APPENDIX 8

AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances. There is no change to this indicator and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Borrowing	105,000	119,000	142,000	163,000
Other Long Term Liabilities	1,500	3,000	3,000	3,000
Total	106,500	122,000	145,000	166,000

APPENDIX 9

OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt. There is no change to this indicator and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Borrowing	63,000	73,500	94,500	115,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
Total	64,500	75,000	96,000	117,000

APPENDIX 10

COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing. Separate indicators were stated originally based on different levels of potential borrowing. The revised indicators below are based on the actual level of Prudential Borrowing allocations made by Cabinet on 22 July 2004 and have been further revised following slippage in the sum allocated for 2004/05.

Increase in council tax (Band D, per annum):	2003/04	2004/05	2005/06	2006/07
	£ p	£ p	£ p	£ p
Original				
Position if £5,000,000 Prudential Borrowing is taken for 2004/05.	N/A	3.75	7.06	7.34
Position if £5,000,000 Prudential Borrowing is taken for 2004/05 and subsequent years.	N/A	3.75	10.52	17.28
Revised 30/09/04				
£4,741,000 Prudential Borrowing allocated for 2004/05, and assuming Prudential Borrowing only taken for the future years commitments already approved (£2,455,000 for 2005/06 and £813,000 for 2006/07)	N/A	3.56	8.26	10.34
£4,741,000 Prudential Borrowing allocated for 2004/05, and assuming £5,000,000 Prudential Borrowing is taken for 2005/06 and subsequent years.	N/A	3.56	10.17	16.93
Revised 30/11/04				
Taking account of prudential borrowing slippage into 2005/06. So £4,313,000 Prudential Borrowing in 2004/05. Assuming Prudential Borrowing only taken for the future years commitments already approved (£2,883,000 for 2005/06 (inc slippage) and £813,000 for 2006/07)	N/A	3.24	9.70	10.34
£4,313,000 Prudential Borrowing allocated for 2004/05, and assuming £5,000,000 Prudential Borrowing is taken for 2005/06 and subsequent years.	N/A	3.24	10.17	16.93

APPENDIX 11

TREASURY MANAGEMENT INDICATORS

These are specific indicators, which relate to the management of the Treasury Management process. There is no change to these indicators and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	25%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2004/05	Upper Limit	Lower Limit		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
Upper Limit for total principal sums invested for over 364 days	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
(per maturity date)	7,000	10,000	10,000	10,000