

# CAPITAL PROGRAMME MONITORING 2004/05 TO 31 JANUARY 2005

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

17TH MARCH, 2005

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### Wards Affected

County-wide

### Purpose

To note the current position of the Capital Programme forecast for 2004/05 including 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 Prudential Indicators.

### Capital Programme Monitoring

2. This is the fourth 2004/05 capital monitoring report. The purpose of this monitoring exercise is to update the capital budget position, as at 31st January, reporting new funding allocations and to manage any slippages or overspends.

### Overview

3. The revised forecast outturn for 2004/05 as at 31st January totals £33,855,000, an increase of £1,348,000 from the budget reported at the end of November. Explanations of the changes are 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 spend on these schemes for 2004/05 is £4,088,000 with slippage of £653,000 being identified. It is possible that further

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Further information on the subject of this report is available from  
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amounts of the 2004/05 allocation may slip into 2005/06 but as this funding is unconditional no resources will be lost. Only 40% of the revised forecast for schemes funded through Prudential Borrowing has been spent to date.

5. Each individual capital project has an expected spend profile and expected spend in the first ten months totalled 78% of the revised forecast. However actual spend at £22,799,000 represents 67% 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 the capital receipts received and expected in 2004/05.

## **Capital Programme Areas**

### **9. Education**

The capital forecast for this area has increased in this round of capital monitoring by £29,000 in relation to various schemes. This will be funded through the capital receipts reserve. Actual spend to date appears low and unless spend accelerates between now and March there will be slippage on capital schemes. Any slippage however would not result in the loss of conditional funding.

### **10. Social Care**

The forecast for this area has increased by £8,000 due to additional costs being incurred relating to the purchase of mini buses, this will be funded through a revenue contribution.

### **11. Property**

The forecast for this area has increased by £1,986,000 due to the purchase of units 1 to 17 at Station Approach, Hereford. The purchase is funded through a grant from Advantage West Midlands.

### **12. Policy and Finance**

The Service Improvement Project at Garrick House is currently showing a predicted overspend of £17,000 for which funding remains to be identified.

### **13. ICT Services**

The forecast for this area has decreased by £71,000 due to slippage identified on IEG capital schemes funded through LPSA reward grant.

14. **Environment General**

The revised forecast has decreased by £44,000. This is due to slippage on the LPSA improving road safety scheme. This funding must be expended before the end of September 2005.

15. **Social Development**

The forecast for this area has increased by £12,000 due to increased expenditure on the lift at the Courtyard to be funded through a private contribution.

16. **Economic Development**

The forecast for this area has decreased by £112,000, this represents slippage on capital spend into 2005/06. No conditional resources will be lost as a result of this slippage. The Hereford City Enhancements Shop Front Scheme approved capital bid of £50,000 will not be defrayed in this financial year although progress on the scheme is being made. Increased costs of the Leominster Industrial Estate Access Road capital scheme mean £239,000 is currently unfunded. A report covering this issue will be presented to Cabinet on 24th March, 2005.

17. **Strategic Housing**

The forecast for this area has decreased by £466,000. This decrease represents slippage on affordable housing grant capital schemes. This is committed to be spent in future years.

## **Prudential Indicators**

18. The Prudential Code applies from 2004/05 onwards and the key objectives are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
19. Cabinet have endorsed a range of Prudential Indicators that are to be monitored on a regular basis as part of the existing Capital Programme monitoring process. The PIs included in this report are now based on the 2005/06 Capital Programme and the new round of Prudential Borrowing.
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, the position is being closely monitored to ensure no conditional funding is lost. Prudential Indicators are being monitored as required by the Prudential Code with no areas of concern to report.

## **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

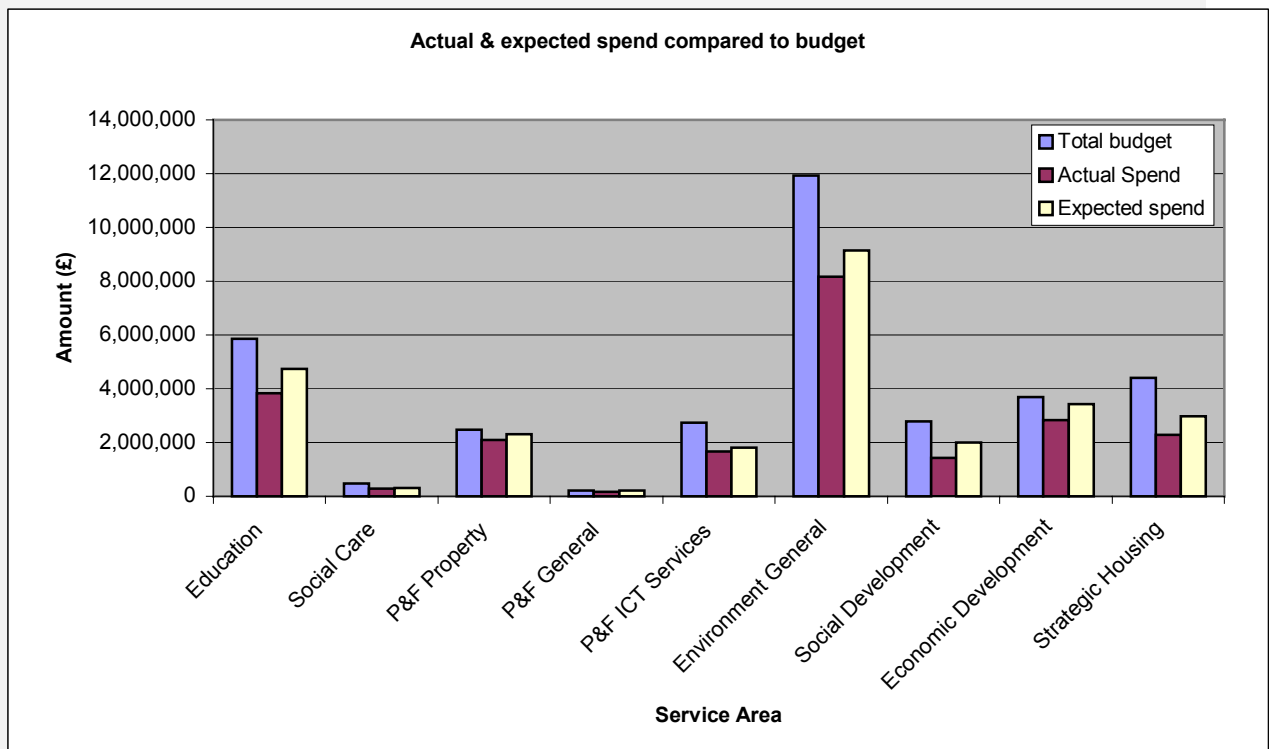
Capital Programme Area	2004/05 Revised Forecast 30/01/05	SCE(R)	Prudential Borrowing	LPSA UCA	Grants	Revenue Contribution	Capital Receipts Reserves	Unfunded
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	5,886	3,411	-	-	2,319	120	36	-
Social Care	480	91	124	-	117	8	140	-
P&F – Property	2,489	-	300	-	2,001	16	172	-
P&F – General	271	-	4	-	60	100	90	17
P&F – ICT Services	2,732	-	1,020	126	1,470	-	116	-
Environment General	11,930	11,098	305	-	527	-	-	-
Social Development	2,804	-	2,050	-	677	-	77	-
Economic Development	3,693	-	260	-	1,547	-	1,647	239
Strategic Housing	3,570	2,055	25	-	477	-	1,013	-
<b>Total Revised Forecast</b>	<b>33,855</b>	<b>16,655</b>	<b>4,088</b>	<b>126</b>	<b>9,195</b>	<b>244</b>	<b>3,291</b>	<b>256</b>
<b>Original Budget</b>	<b>33,538</b>	<b>16,483</b>	<b>5,000</b>	<b>-</b>	<b>8,585</b>	<b>-</b>	<b>3,470</b>	<b>-</b>
<b>Change from original budget</b>	<b>317</b>	<b>172</b>	<b>(912)</b>	<b>126</b>	<b>610</b>	<b>244</b>	<b>(179)</b>	<b>256</b>

<i>Reported to date</i>								
<i>Original Budget</i>	33,538	16,483	5,000	-	8,585	-	3,470	-
<i>July 04 Forecast</i>	31,521	16,430	4,511	126	6,479	247	3,655	73
<i>September 04 Forecast</i>	31,603	16,529	4,479	126	6,103	258	3,887	211
<i>November 04 Forecast</i>	32,507	16,656	4,313	126	7,585	171	3,435	221
<i>January 05 Forecast</i>	33,855	16,655	4,088	126	9,195	244	3,291	256

## APPENDIX 2

### CAPITAL EXPENDITURE BY PROGRAMME AREA

	Outturn	Original Budget	Revised 2004/05 Forecast as at 31/01/05	Change from previous forecast as at 30/11/04	Actual spend at 31/01/05	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	5,886	29	3,844	65%	81%
Social Care	413	132	480	8	290	60%	62%
P&F – Property	2,142	402	2,489	1,986	2,103	84%	94%
P&F – General	924	25	271	6	178	66%	92%
P&F – ICT Services	882	127	2,732	(71)	1,656	61%	67%
Environment General	10,879	11,846	11,930	(44)	8,163	68%	77%
Social Development	460	2,467	2,804	12	1,434	51%	72%
Economic Development	4,157	4,092	3,693	(112)	2,844	77%	93%
Strategic Housing	4,929	4,233	3,570	(466)	2,287	64%	68%
Prudential Borrowing to be allocated	-	3,200	-	-	-	-	-
<b>Total</b>	<b>33,034</b>	<b>33,538</b>	<b>33,855</b>	<b>1,348</b>	<b>22,799</b>	<b>67%</b>	<b>78%</b>



## APPENDIX 3

### MAIN CAPITAL SCHEMES OF REVISED 2004/05 CAPITAL PROGRAMME

Capital Programme Scheme	Schemes with a Revised Forecast >£500,000
	£'000
<b>Education schemes:</b>	
Site Acquisitions	680
John Kyrle High – Sixth Form Extension	506
Weobley High – Science Laboratories	526
New Deal for Schools Condition Improvement Works	1,400
<b>Property schemes:</b>	
Purchase of Station Approach	1,976
<b>ICT Services schemes:</b>	
ICT The Golden Thread Network Enhancement	770
Herefordshire in Touch E-Gateway Phase 2	1,229
<b>Environment General schemes:</b>	
Roman Road Improvements	3,270
Rural low floor bus project	502
Capitalised maintenance of principal roads	1,225
Capitalised maintenance of non-principal roads	3,272
Footways	550
Capitalised assessment & strength of bridges	500
<b>Social Development schemes:</b>	
Replacement Swimming Pool for North Herefordshire	1,709
Friar Street Museum Resource and Learning Centre	555
<b>Economic Development schemes:</b>	
Leominster Industrial Estate Access Road	3,049
<b>Strategic Housing schemes:</b>	
Disabled Facilities Grants – Mandatory	550
Social Housing Grants	1,130
<i>Other schemes with a revised forecast of less than £500,000</i>	<i>10,456</i>
<b>Revised Forecast</b>	<b>33,855</b>

**APPENDIX 4**

**CAPITAL RECEIPTS FOR 2004/05**

<b>Sale Detail</b>	<b>Directorate Share</b>	<b>Directorate Share</b>	<b>Corporate Share</b>	<b>Total receipt</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><i>Received</i></b>				
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
Coldnose Road, Rotherwas	100% Corporate	-	40	40
Right to Buy Clawbacks, Discounts and Improvement Grant Repayments to date	100% Housing	160	-	160
<b>Sub Total</b>		<b>359</b>	<b>539</b>	<b>898</b>
<b><i>Anticipated</i></b>				
Various	100% Housing	648	-	648
Various	100% Corporate	-	650	650
<b>Sub Total</b>		<b>648</b>	<b>650</b>	<b>1,298</b>
<b>Total</b>		<b>1,007</b>	<b>1,189</b>	<b>2,196</b>



## APPENDIX 5

### ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

Capital Monitoring information is set out in the first part of this report.

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing. This table will need to be updated depending upon Members decisions on the level and allocation of Prudential Borrowing. The second table shows how this programme would be funded.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
<b>Capital Programme Area:-</b>				
Economic Development	3,693	1,135	245	0
Education	5,886	5,691	3,251	2,763
Environment General	11,930	10,626	10,459	10,459
Policy & Finance - ICT Services	2,732	1,754	1,483	1,933
Policy & Finance - General	271	0	0	0
Policy & Finance - Property	2,489	250	250	250
Social Care	480	472	95	95
Social Development	2,804	887	63	0
Strategic Housing	3,570	10,710	7,883	5,383
Potential Prudential Borrowing to be allocated	0	2,968	4,187	3,950
	<b>33,855</b>	<b>34,493</b>	<b>27,916</b>	<b>24,833</b>
<b>By funding</b>				
Capital Receipts Reserve	3,791	5,469	3,477	3,382
Grants	9,321	9,875	5,703	3,234
SCE(R)	16,655	13,726	13,736	13,217
Agreed Prudential Borrowing	4,088	2,455	813	1,050
Prudential Borrowing to be agreed	0	2,968	4,187	3,950
	<b>33,855</b>	<b>34,493</b>	<b>27,916</b>	<b>24,833</b>

## 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 indicator will change in due course based on actual Prudential Borrowing allocations and revised estimates of the Capital Financing costs.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Net Revenue Stream	175,320	184,689	195,021	204,994
Capital Financing Costs	7,418	8,362	10,269	12,162
Ratio of financing costs to net revenue stream	4.23%	4.53%	5.27%	5.93%

## APPENDIX 7

### CAPITAL FINANCING REQUIREMENT

This indicator represents the underlying need to borrow for a capital purpose. 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.

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Capital Financing Requirement (as at 31/3)	96,486	110,347	123,149	134,341

## 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.

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Borrowing	119,000	133,000	151,000	169,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000
<b>Total</b>	<b>122,000</b>	<b>136,000</b>	<b>154,000</b>	<b>172,000</b>

## APPENDIX 9

### OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Borrowing	73,500	94,500	108,500	121,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
<b>Total</b>	<b>75,000</b>	<b>96,000</b>	<b>110,000</b>	<b>123,000</b>

## 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. These figures will need to be revised following the decisions taken by Council. The figures will change depending on actual Council Tax levels and allocations of Prudential Borrowing.

	2004/05	2005/06	2006/07	2007/08
	£ p	£ p	£ p	£ p
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £5,000,000 taken for 2005/06 and subsequent years.	N/A	3.72	10.42	17.13

## APPENDIX 11

### TREASURY MANAGEMENT INDICATORS

These are specific indicators, which relate to the management of the Treasury Management process. The upper limit for variable rate borrowing has been increased in order to allow more flexibility to react to changes in market conditions.

	2004/05	2005/06	2006/07	2007/08
<b>Upper Limit for Fixed Interest Rate Exposure</b>				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>				
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
<b>Maturity Structure of new fixed rate borrowing during 2004/05</b>	<b>Upper Limit</b>	<b>Lower Limit</b>		
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%		
<b>Upper Limit for total principal sums invested for over 364 days</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(per maturity date)	10,000	10,000	10,000	10,000