

## APPENDIX C

### CAPITAL PROGRAMME MONITORING

1. This is the third round of capital monitoring for 2005/06. The purpose of this monitoring exercise is to update the capital budget position, as at 30<sup>th</sup> November, reporting new funding allocations, managing any slippages or overspends as new schemes and new sources of finance are identified. The Capital Monitoring process helps to ensure that no conditional capital resources are lost.
2. The revised forecast outturn for 2005/06 as at 30<sup>th</sup> November totals £38,624,000, which is an increase of £1,669,000 from the September forecast. Explanations of the changes are detailed in the body of this report. This programme is funded as detailed in Appendix C1.
3. A summary of the Prudential Borrowing position for 2005/06 is set out below. The sum no longer required relates to three schemes as reported in September's monitoring report. The three schemes are Queenswood car park refurbishment (a revised bid for funding has been submitted for 2006/07), the Contact Centre and a reduction in the costs of the Powell Croft Sewerage Plant Improvements. The contact centre no longer requires £800,000 of previously committed funding due to its intended location in Garrick House. The main reason for the slippage into 2006/07 is due to the re-profiling of the £2,000,000 City Centre Enhancements scheme. As Prudential Borrowing funding is unconditional, no resources will be lost.

2005/06 Prudential Borrowing Allocation		£7,607,000
Add: Slippage from 2004/05		£2,011,000
Less: Slippage into 2006/07	(£2,794,000)	
Funded by available SCE(R)	(£125,000)	
No longer required	(£189,000)	(£3,108,000)
Forecast use of Prudential Borrowing in 2005/06		<u>£6,510,000</u>

4. Each individual capital project has an expected spend profile; expected spend in the first six months totalled 48% of the total revised forecast. The actual spend of £15,636,000 represents 40% of the revised forecast. A summary of the expenditure for each service area is set out on Appendix C2.
5. Set out in Appendix C3 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. (*Info Library > Treasurer's > Financial Policy > Capital > Capital Programme*).
6. Capital projects involve significant levels of VAT; the recovery of this VAT is a fundamental part of good management of the capital programme. A particular issue is that VAT is not recoverable on any 'exempt' expenditure if the associated VAT represents more than 5% of the Council's total VAT. A VAT Partial Exemption calculation is updated following each round of capital budget monitoring so that pre-emptive action can be taken if necessary. Current estimates predict an exempt input tax percentage of 4.75% for 2005/06.

### **Children's Services**

7. The capital forecast for this area has increased by £657,000. The budgeted capital spend on temporary classrooms has increased by £60,000 representing additional requirement at Kington. Budgeted capital spend on condition property works has increased by £300,000 representing priority needs at various locations being brought forward with less funding being available in the next financial year due to other budget pressures. The anticipated spend on Kington Primary rebuilding has increased by £215,000 in this financial year representing tenders being higher than anticipated. This project will span three financial years, work is expected to start imminently.
8. Capital funding of £1,476,000 will be available to be used in future years to match capacity to deliver the capital programme.

### **Resources**

9. The forecast for this area has increased slightly due to the inclusion of new plant equipment required at Powell Croft Sewerage Plant.

### **Corporate and Customer Services**

10. There has been no changes to the anticipated capital spend in this round of budget monitoring. Progress in being made on the ICT Disaster Recovery and Network Enhancement capital bid schemes.

### **Environment Services**

12. The forecast for this area has increased by £403,000 mainly due to the inclusion of the Ross on Wye Flood Alleviation Scheme capital project, which is projected to cost £500,000 in this financial year. This scheme is to be fully funded through a grant from Defra.
13. Other changes represent a review of all capital schemes to reflect actual anticipated expenditure, including increases in relation to the Roman Road (this scheme is complete) and Rotherwas Access Road (following the decision to proceed with CPOs) schemes, and delays on the Rural Footway Improvements and Safer Routes to Schools capital schemes.
14. Expected spend, at 61%, exceeds actual spend at 42% of the annual budget and committed spend represents 54% of the budget. Assurances have been made that the full budget will be spent before the year-end.

### **Adult and Community Services**

17. The forecast for this area has increased by £608,000, due to a combination of an increase in the Strategic Housing Extra Care development budget and a decrease in the Strategic Housing Affordable Housing Grants budget.
18. Work is expected to start on the Extra Care development site before the end of the financial year. This is funded by a grant from the Department of Health which is payable to the Elgar Housing Association who will be completing the work.
19. The Affordable Housing Grants forecast spend has been decreased to reflect anticipated delays in actual expenditure and partly due to the lost of the Grange House development.

## **Prudential Indicators**

20. A key objective of the Prudential Code is to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
21. 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. Cabinet considers these on an annual basis through the Treasury Management report.
22. The framework of PIs covers Capital Expenditure and Treasury Management and the Prudential Code incorporates the PIs as set out below. The PIs included in this report are based on the 2005/06 Capital Programme. Significant changes in the indicators are highlighted at each point.
  - Actual and estimated capital expenditure for the current and future years (Appendix C4)
  - Ratio of financing costs to net revenue stream (Appendix C5)
  - Capital Financing Requirement (Appendix C6)
  - Authorised limit for External Debt (Appendix C7)
  - Operational boundary for External Debt (Appendix C8)
  - Council Tax implications of the incremental effect of capital decisions (Appendix C9)
  - Treasury Management Indicators (Appendix C10)

**APPENDIX C1**

**FUNDING OF REVISED 2005/06 CAPITAL PROGRAMME**

<b>Capital Programme Area</b>	<b>2005/06 Revised Forecast 30/11/05</b>	<b>SCE(R)</b>	<b>Prudential Borrowing</b>	<b>Grants</b>	<b>Revenue Contribution</b>	<b>Capital Receipts Reserves</b>	<b>Unfunded</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's Services	8,096	1,032	-	6,644	300	120	-
Resources	599	83	323	-	14	179	-
Corporate and Customer Services	4,669	-	2,712	1,847	101	9	-
Environment Services	11,640	10,480	1,002	1,016	-	(858)	-
Adult and Community Services	13,620	2,326	2,473	6,173	209	2,439	-
<b>Total Revised Forecast</b>	<b>38,624</b>	<b>13,921</b>	<b>6,510</b>	<b>15,680</b>	<b>624</b>	<b>1,889</b>	<b>-</b>
<i>Original Budget</i>	<b>37,131</b>	<b>13,679</b>	<b>7,607</b>	<b>11,055</b>	<b>279</b>	<b>4,511</b>	<b>-</b>
<i>Change from original budget</i>	<b>1,493</b>	<b>242</b>	<b>(1,097)</b>	<b>4,625</b>	<b>345</b>	<b>(2,622)</b>	<b>-</b>

<b><u>Reported to date</u></b>							
<i>Original Budget</i>	37,131	13,679	7,607	11,055	279	4,511	-
<i>July 2005 Forecast</i>	36,864	13,773	6,907	11,851	1,009	3,324	-
<i>September 2005 Forecast</i>	36,955	13,877	6,586	13,281	747	2,456	7
<i>November 2005 Forecast</i>	38,624	13,921	6,510	15,680	624	1,889	-

## APPENDIX C2

### CAPITAL EXPENDITURE BY DIRECTORATE

	Outturn	Original Budget	Revised 2005/06 Forecast as at 30/11/05	Actual spend at 30/11/05	Actual spend as a % of the revised forecast	Expected spend as a % of the revised forecast
Directorate	2004/05	2005/06	2005/06	2005/06	2005/06	2005/06
	£'000	£'000	£'000	£'000	%	%
Children's Services	5,746	6,655	8,096	4,622	57%	49%
Resources	2,568	350	599	229	38%	65%
Corporate & Customer Services	2,786	2,576	4,669	2,048	44%	61%
Environment Services	12,994	13,424	11,640	4,863	42%	61%
Adult & Community Services	9,014	14,126	13,620	3,874	28%	33%
<b>Total</b>	<b>33,198</b>	<b>37,131</b>	<b>38,624</b>	<b>15,636</b>	<b>40%</b>	<b>48%</b>

**APPENDIX C3**

**MAIN CAPITAL SCHEMES OF REVISED 2005/06 CAPITAL PROGRAMME**

<b>Capital Programme Scheme</b>	<b>Schemes with a Revised Forecast &gt;£500,000</b>
	<b>£'000</b>
<b>Children's Services schemes:</b>	
Kingstone High – Sports Hall (no change)	1,225
Temporary Classrooms (budget increase)	618
Fairfield High School – New Building (no change)	508
Leominster Family Centre (no change)	771
New Deal for Schools Condition Improvement Works (budget increase)	1,500
<b>Corporate and Customer Services - ICT schemes:</b>	
ICT The Golden Thread Network Enhancement (no change)	1,994
ICT The Golden Thread Disaster Recovery (no change)	514
Contact Centre (no change)	700
Herefordshire in Touch E-Gateway (no change)	999
<b>Environment Services:</b>	
Roman Road Improvements (budget increase)	1,131
Capitalised maintenance of principal roads (no change)	895
Capitalised maintenance of non-principal roads (no change)	4,203
Footways (budget decrease)	550
Capitalised assessment & strength of bridges (no change)	650
Crematorium Improvements (no change)	547
Ross on Wye Flood Alleviation Scheme (budget increase)	500
<b>Adult and Community Services schemes:</b>	
Replacement Swimming Pool for North Herefordshire (no change)	1,169
Eign Gate Refurbishment (no change)	606
Housing Renewal Programme (budget decrease)	1,198
Disabled Facilities Grants – Mandatory (budget increase)	525
Extra Care Housing (budget increase)	5,378
Affordable Housing Grants (budget decrease)	2,000
<i>Other schemes with a revised forecast of less than £500,000</i>	<i>10,443</i>
<b>Revised Forecast</b>	<b>38,624</b>

## APPENDIX C4

### ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

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. The second table shows how this programme would be funded.

#### FORECAST CAPITAL PROGRAMME AS AT 30 NOVEMBER 2005

	<b>Outturn</b>	<b>Budget</b>	<b>Estimated</b>	<b>Estimated</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>
<b>Capital Programme Area: -</b>				
Children's Services	5,746	8,096	7,521	4,471
Environment General	12,994	11,640	11,840	12,496
Corporate and Customer Services	2,786	4,669	950	1,243
Resources	2,568	599	275	0
Adult and Community Services	9,104	13,620	9,202	5,325
Potential Prudential Borrowing to be allocated	0	0	2,137	2,150
	<b>33,198</b>	<b>36,955</b>	<b>31,925</b>	<b>25,685</b>
<b>By funding</b>				
Capital Receipts Reserve	4,327	1,889	5,807	4,429
Grants	8,751	15,680	4,336	2,451
SCE(R)	17,270	13,921	12,786	12,097
UCA	130	0	0	0
Opening Creditor adjustment	(127)	0	0	0
Revenue Contribution	244	624	0	0
Unfunded	0	0	2,077	1,708
Agreed Prudential Borrowing	2,603	6,510	4,782	2,850
Prudential Borrowing to be agreed	0	0	2,137	2,150
	<b>33,198</b>	<b>36,955</b>	<b>31,925</b>	<b>25,685</b>

## APPENDIX C5

### 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 capital financing costs will change as actual borrowing replaces forecast borrowing and as the outturn of capital spending changes from the expected profile.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
<b>Original Indicator (prior to PB allocations)</b>				
Ratio of financing costs to net revenue stream	4.23%	4.63%	5.36%	6.03%
<b>As at 31/7/05</b>				
Net Revenue Stream	175,320	184,889	194,100	204,107
Capital Financing Costs	5,288	8,549	9,060	10,784
Ratio of financing costs to net revenue stream	3.02%	4.62%	4.67%	5.28%
<b>As at 30/9/05</b>				
Net Revenue Stream	175,320	184,889	194,100	204,107
Capital Financing Costs	5,288	8,364	8,923	10,507
Ratio of financing costs to net revenue stream	3.02%	4.52%	4.60%	5.15%
<b>As at 30/11/05</b>				
Net Revenue Stream	175,320	184,889	194,100	204,107
Capital Financing Costs	5,288	8,364	8,916	10,622
Ratio of financing costs to net revenue stream	3.02%	4.52%	4.59%	5.20%



## APPENDIX C6

### 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 has changed following confirmation of the allocation of supported and unsupported borrowing for 2005/06. This indicator is affected by Governments decisions to provide capital funding either in the form of supported borrowing or by direct grant. Supported Borrowing allocations for 2006/07 will be announced by Government in December. The effect of actual Prudential Borrowing allocations for 2006/07 will also affect the future years Capital Financing Requirement.

	<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>
Original Indicator	96,486	110,347	123,149	134,341
Revised 31/7/05	95,371	111,965	125,890	136,252
Revised 30/9/05	95,371	110,979	124,790	135,379
Revised 30/11/05	95,371	110,949	125,789	136,329

## APPENDIX C7

### 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 C8

### 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 C9

### 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 have changed significantly following the increase in the allocations of Prudential Borrowing. The indicator has also increased to show a more prudent repayment of debt relating to the expected lives of the assets acquired (e.g. shorter term ICT expenditure).

	2004/05	2005/06	2006/07	2007/08
	£ p	£ p	£ p	£ p
<b>Original Indicator</b>				
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
<b>Revised Indicator 31/7/05</b>				
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £7,607,000 taken for 2005/06 with £5,000,000 per year in subsequent years.	N/A	6.95	17.85	30.50
<b>Revised Indicator 30/9/05</b>				
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £7,607,000 taken for 2005/06 with £5,000,000 per year in subsequent years. Updated to reflect slippage and PB no longer required.	N/A	6.55	18.26	28.73
<b>Revised Indicator 30/11/05</b>				
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £7,607,000 taken for 2005/06 with £5,000,000 per year in subsequent years. Updated to reflect slippage and PB no longer required.	N/A	6.47	18.19	28.73

## APPENDIX C10

### 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