

CAPITAL PROGRAMME OUTTURN 2005/06

1. The capital programme is by its nature prone to rapid changes. New schemes and new sources of finance have been identified and reported throughout the year as part of the established Capital Monitoring process as part of the routine Integrated Performance reports. This process helps to ensure that no conditional capital resources are lost. The details of changes throughout the year are to be found in those reports. This report provides a brief summary of the overall changes from the original budget to the outturn position.
2. The capital programme outturn for 2005/06 totalled £31,845,000 compared to an original budget forecast of £37,131,000, which represents a decrease of £5,286,000 or 14%. Changes from the original capital budget forecast represent a combination of budget increases and decreases, due to new schemes and new sources of funding being identified, slippages and deferment of schemes into future years, and budget virements where necessary. **Appendix C1** gives a summary breakdown. A summary of the significant variances between the original forecast and the outturn position are set out on **Appendix C2**.
3. Cabinet allocated Prudential Borrowing of £7,607,000 to various capital schemes in February 2005. Additional Supported Capital Expenditure (Revenue) (SCE(R)), being borrowing revenue costs supported by Government, funded £125,000 of this requirement. The outturn for the use of Prudential Borrowing is detailed below. The slippage of £4,225,000 is required in 2006/07 and relates to various approved capital schemes as detailed on **Appendix C3**. As Prudential Borrowing funding is unconditional no resources have been lost.

2005/06 Prudential Borrowing Allocation		£7,607,000
Add: Slippage from 2004/05		£2,011,000
Less: Slippage into 2006/07	(£4,225,000)	
Funded by available SCE(R)	(£125,000)	
Relinquished re Queenswood Car Park	(£137,000)	(£4,487,000)
Prudential Borrowing in 2005/06		£5,131,000

4. The total capital outturn of £31,845,000 is financed through Supported Capital Expenditure (Revenue) of £13,916,000, Prudential Borrowing of £5,131,000, Revenue Contributions of £802,000, Grants of £10,169,000 and Capital Receipts Reserve of £1,827,000.
5. Part of capital monitoring is to manage the Councils VAT partial exemption position to avoid the need for a repayment of VAT previously recovered. The forecast VAT partial exemption outturn for 2005/06 is 4%, which is 1% lower than the 5% limit. If breached, VAT of approximately £750,000 would become payable. The outturn percentage is lower than anticipated partly due to the slippage on the crematorium capital scheme works. These works will require the expenditure profiling to be continually monitored until project completion in 2008.

Capital Schemes Completed

6. During 2005/06 the following capital projects were completed:
 - Kingstone High School, new sports hall works were completed for a total

scheme cost of £1,303,000 compared to an original forecast of £1,084,000.

- Roman Road improvements were completed at a total scheme cost of £5,577,000 compared to an original forecast of £5,403,000.
- North Herefordshire swimming pool works have been completed at a scheme cost to date of £2,371,000, retention payment outstanding, compared to an original forecast of £2,508,000.
- Eign Gate, Hereford refurbishment works completed for a total scheme cost of £711,000, which includes some early work funded through highway maintenance, compared to an original forecast of £680,000.

Major capital schemes

7. The following schemes will form a large part of the 2006/07 capital programme:
- Museum Resource and Learning Centre, Friar Street Hereford. Phase 3 works include the construction and refurbishment of display and storage facilities and a learning centre. This scheme is funded by the Heritage lottery fund with match funding being provided through prudential borrowing.
 - Amalgamation of Hunderton junior and infants school. The contract for these works has been let and the scheme is to be funded through Department for Education and Skills (DfES) funding allocations and prudential borrowing.
 - Work has begun on the Weobley High sports hall and work is expected to start in summer on the replacement primary school at Sutton. Both schemes are funded through the DfES.

Prudential Indicators

8. The capital monitoring process includes the need to review Prudential Indicators on a regular basis. The Prudential Indicators relating to the Capital Programme outturn are set out below.

9. **Ratio of Capital Financing costs to net revenue stream**

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Original Indicator (prior to PB allocations)	4.2%	4.6%	5.4%	6.0%
As at 31/3/06	3.0%	4.4%	4.4%	5.2%

The ratio of capital financing costs has reduced as slippage in prudential borrowing leads to delayed debt repayment costs.

10. **Capital Financing Requirement**

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Original Indicator	96,486	110,347	123,149	134,341
Outturn / Revised 31/3/06	95,371	109,330	126,298	137,348

This indicator represents the underlying need to borrow for a capital purpose and is affected by prudential borrowing allocations and slippage and also by forecasts of supported borrowing allocations from Government.

APPENDIX C1**CAPITAL OUTTURN 2005/06**

Capital Expenditure by Directorate Area	Original Budget	Outturn	Variance - Actual	Variance - Percentage
	£'000	£'000	£'000	%
Children's Services	6,655	7,907	1,252	19
Resources	350	662	312	89
Corporate & Customer Services	2,576	4,623	2,047	79
Environment Services	13,424	10,288	(3,136)	(23)
Adult & Community Services	14,126	8,365	(5,761)	(41)
Total	37,131	31,845	(5,286)	14

APPENDIX C2

CAPITAL OUTTURN 2005/06 – BUDGET CHANGES

Capital Scheme where original to outturn changed by >£500,000	Budget Increase	Budget Decrease	Details
	£'000	£'000	
Children's Services			
Weobley High Sports Hall		(507)	Work on site has started, grant funding carried forward
Leominster Family Centre	807		Grant funded childcare scheme now complete
Other (net)	952		
Resources			
Other (net)	312		
Corporate & Customer Services			
Network Enhancement	1,197		Increase due to slippage from 2004-05 and additional funding through childcare NGFL (National Grid for Learning) grant funding identified
E-Gateway	1,116		Grant funded Herefordshire in Touch technology scheme
Other (net)		(266)	
Environment Services			
LTP – Capitalised Maintenance of Principal Roads		(853)	Reduced to repay overspend in 2004-05
Non-LTP - Crematorium Hereford		(516)	Prudential borrowing funding carried forward, scheme to commence in 2006-07

<i>Non-LTP</i> – City Centre Enhancements, Hereford		(2,000)	Scheme reported under Adult and Community Services £413k spent in 2005-06, prudential borrowing funding carried forward
Other (net)	233		
<i>Adult & Community Services</i>			
Extra Care Housing		(4,600)	Start on site delayed until 2006-07 Department of Health grant funding carried forward
Affordable Housing Grants		(790)	Scheme alterations and timing issues, Housing Stock Transfer receipt funding carried forward
Other (net)		(371)	
Total	4,617	(9,903)	

APPENDIX C3

PRUDENTIAL BORROWING APPROVED CAPITAL SCHEMES SLIPPAGE

Capital Scheme	Slippage > £100,000	Details
	£'000	
<i>Corporate & Customer Services</i>		
ICT The Golden Thread Network Enhancement	(153)	Spend accelerated, funding brought forward from 2006-07 allocation
ICT The Golden Thread Disaster Recovery	157	Delays on cable dig and accommodation strategy
Info by Phone	118	Committed, delays re Plough Lane lease
<i>Environment Services</i>		
Restore Leominster Landfill site	197	Work has been delayed due to discharge consent issues
Crematorium Hereford	450	Slippage due to land purchase delays
Improvements to toilets facilities	161	Rolling programme of works
<i>Adult & Community Services</i>		
Aylestone Park Canal Safety	153	Continued improvement works
Kington Library Refurbishment	352	Scheme spans two financial years
Mobile Libraries	169	One purchased and one ordered
Victoria Foot Bridge	200	Work started in May 2006
City Centre Enhancements	1,732	Consultation only, work commenced in 2006-07
Community Equipment	118	Slippage due to ICT development considerations
Capital Adaptations	164	Funding committed via RSLs
<i>Other schemes with a slippage of less than £100,000</i>	407	
Total	4,225	