

LONDON BOROUGH OF BRENT

Executive –11 July 2005

Report from the Director of Finance and Corporate Resources

For action/information (delete as necessary)

Wards affected:
All

PROVISIONAL 2004/2005 CAPITAL OUTTURN AND 2005/2006 CAPITAL PROGRAMME.

Forward Plan Ref: BFS-05/06-02

1. Summary

- 1.1 The Capital Programme and Prudential Indicators were considered and approved by Full Council on the 28th February 2005. This report sets out the closing position on the 2004/2005 capital programme and revised programme for 2005 – 2009.
- 1.2 This report also provides monitoring information on prudential indicators, in line with arrangements the council has to ensure affordability and value for money of its capital programme.

2. Recommendations

The Executive is recommended to:

- 2.1 Note the outturn position for the 2004/05 capital programme.
- 2.2 Agree, in accordance with the scheme of transfers and virements, the revised budgets for the 2005/06 capital programme, including the virement requested by Environment as detailed in paragraph 5.3, and note the forecast position on the 2006/07 to 2007/08 programmes.
- 2.3 Agree the proposed course of action to address the required Health and Safety works identified at Bridge Park in 2005 - 2009, as per paragraph 5.4.
- 2.4 Note the progress made on the School Loans Scheme, as detailed in paragraph 5.5, and that the Director of Children and Families intends to confirm the issue of loans to both Claremont High School and Oakington Manor.
- 2.5 Note the revised position on the Council's Prudential Indicators for 2005/06.

Background

- 3.1 The capital programme is a four year rolling programme of capital investment. It is focused on the priorities set out in the capital strategy, and the need to invest in existing and new assets.
- 3.2 The funding of this capital investment is a key factor and the introduction of the new prudential system of borrowing by the 2003 Local Government Act gave new opportunities for councils to assess their requirements for capital spending. Under the accompanying regulations, councils are required to follow the Prudential Code issued by CIPFA, which sets out how councils ensure they use their new freedom responsibly. The code sets out indicators which councils are required to set before the beginning of each year, to monitor during the year, and to report on at the end of each year.
- 3.3 The 2005/06 Capital Programme setting process was based on the premise that spending must be maintained at a level which can be funded within previously agreed levels of unsupported borrowing, in order for the programme to remain affordable. This remains one of the key funding strategies for the programme.
- 3.4 The forecast annual costs of unsupported borrowing to the General Fund revenue budget are £1.907m in 2005/2006, £3.270m in 2006/2007, £4.620m in 2007/2008, and £5.616m in 2008/2009. The cost of unsupported borrowing to the revenue budget is an important prudential indicator which alerts the council to commitments being built up in future years as a result of funding the capital programme at a higher level than would be possible if only supported borrowing, grants, receipts, Section 106 funding, and other contributions were used. These commitments have been taken into account in the medium term revenue budget forecast, and will need to continue to be managed as part of medium term financial planning.

4. The Closing Position of the Capital Programme 2004/05

- 4.1 Total spending on the capital programme in 2004/05 was £110.5m, made up of £58.3m on the General Fund and £52.2m on the Housing Revenue Account. The overall surplus available to be carried forward to fund the 2005/06 capital programme has increased from £6.112m included in the forecast outturn reported to Council on 28th February 2005 to £6.179m now, an improvement of £67k. Changes between the forecast outturn and actual outturn are set out below. Full details of spending on a scheme by scheme basis are contained in Appendix 1 to this report.
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CHANGES BETWEEN FORECAST AND ACTUAL OUTTURN FOR 2004/05

	£'000
Spending	
Forecast spending outturn – February 2005	84,930
<i>Add items not included in the forecast outturn</i>	
Utilisation of Major Repairs Allowance monies - HRA	13,483
Revenue contributions from HRA	8,013
Revenue contributions from General Fund	3,766
Single Regeneration Budget funded projects	8,264
Surestart funded projects	654
Granville Plus Development	613
Other amendments	2,199
Sub-total	121,922
Less:	
Re-phasing of spending between years (matched by resources carried forward)	(11,392)
Total spending	110,530
Less:	
Total resources	116,709
Revised surplus	(6,179)

- 4.2 Provisional gross capital receipts achieved in year amount to £21.946m. Of these £6.194m are usable to fund capital expenditure with the balance being paid over to the Secretary of State under the Pooling of Capital Receipts requirements.
- 4.3 Members should be aware that all figures at this stage could be subject to change, as a result of the 2004/05 external audit and other closing of account adjustments.

5. Monitoring of the 2005/06 to 2008/09 Capital Programme

- 5.1 The 2005/2006 Capital Programme is summarised in the table below. It details estimated resources and agreed total budgets against a projected outturn. The current position shows a deficit on the programme of £863k, which is primarily due to slippage on forecast capital receipts. Full details on a scheme by scheme basis are contained in Appendix 2 to this report.

2005/2006 REVISED BUDGET AND PROJECTED OUTTURN

Programme Detail	2005/06 Capital Programme £000	2005/06 Revised Capital Programme £000	2005/06 Forecast Capital Programme £000
Resources:			
Total Resources	(90,398)	(101,857)	(100,699)
Service Area Expenditure:			
Education, Arts and Libraries	15,576	20,117	19,907
Environment	19,011	22,576	22,576
Social Services	1,156	1,221	1,203
Housing – General Fund	10,119	10,369	10,369
Housing – HRA	40,471	37,571	37,571
Corporate Services	1,260	2,846	2,846
Central Items	2,805	7,090	7,090
Total Expenditure	90,398	101,790	101,562
(Surplus)/Deficit	0	(67)	863

5.2 The revised capital programme takes account of:

- Changes to resources and expenditure as a result of the 2004/05 provisional outturn.
- New allocations of grant and other funding received since the 28th February 2005.

5.3 The forecast capital programme takes account of those amendments to projected capital expenditure in 2005/06 identified by the individual service areas to date, and includes the following:

Education, Arts and Libraries

- Slippage of £400k has been identified on the Wembley Manor Schools scheme due to delays incurred whilst a decision on amalgamation is awaited.
- Bids for security works have been received from schools to the value of £275k in 2005/06 against a budget allocation of £85k, resulting in a gap of £190k. Due to the urgent nature of these works, it is requested that this gap be met from the slippage on Wembley Manor Schools in 2005/06 and that monies be re-positioned in future years from the security works allocations.

Environment

- A need to vire the sum of £950k from the Footways scheme to the Pavements and Roads scheme was identified in the report to Executive, entitled Environment Capital Spend 2005/06: Highway Major Works Programme, on 12th April 2005. This requirement was identified as a result

of the annual independent borough condition survey which determined the footway upgrade and carriageway resurfacing programme.

- The allocation to Road Safety – PSA Bid is no longer required. £300k was originally allocated within the Environment programme to help the council deliver its PSA targets on reduced road deaths and serious injuries. The council is achieving these reductions through other more effective means and this £300k is therefore no longer required.

Social Services

- Works to Melrose House are to be restricted to urgent requirements only, due to the short life expectancy of this building, with re-provision of the services planned as part of the Affordable Housing and Accommodation for People with Learning Disabilities PFI. Required works to sections of rotten windows have been identified at an estimated cost of £12k giving a saving on the scheme of £18k.

5.4 Bridge Park Centre – Required Health and Safety Works

As a result of the ongoing programme of condition surveys that were agreed for implementation in 2005/06 and future years, a significant amount of urgent health and safety works have been identified at the Bridge Park Centre which have an estimated value of up to £500k.

The cost of required remedial works will have to be met from existing budgets as there is no specific budget provision for this work.

It is currently thought that the required works will be met in two tranches, with expenditure of approximately £300k being required in 2005/06 and the balance of expenditure being met in 2006/07.

The 2005/06 capital programme includes an amount of £25k for Bridgepark Works, and a similar amount in 2006/07, based on initial estimates made prior to the survey. It is recommended that this scheme now be enhanced to include the required health and safety works identified by the full condition survey and that additional costs in 2005/06 be met from the £300k saving identified by Environment on the Road Safety – PSA Bid, see 5.3 above. A decision on funding the required balance of expenditure in 2006/07 should be deferred until it is clear what further movements are forecast on the Environment capital programme in later monitoring reports.

5.5 School Loans Scheme

The Education capital programme includes an amount of £500k in 2005/06 and subsequent years as a contribution to capital schemes submitted to the EAL by schools under the School Loans Scheme.

By 31st May 2005 the Director of Children and Families had received proposals for the following schemes from schools:

Claremont High School: To create a sports hall and fitness complex to support the school's drive for educational excellence, at a total estimated build cost of £2,000,000.

Oakington Manor School: To create a new Foundation and Nursery classroom blocks, at a total estimated build cost of £1,500,000.

Grove Park School: New build 6th Form Block, at a total estimated build cost of £403,000.

Prioritisation of the submissions was in accordance with the Asset Management Plan criteria – particularly in relation to suitability and sufficiency. Other factors have also been taken into account such as affordability of servicing the loan, the status of the current revenue budget and availability of other private funds/reserve budgets.

In the light of consideration of the issues, the Executive is recommended to note that the Director of Children and Families intends the following actions:

1. The allocation from the Education capital programme of £300k to Claremont High School in 2005/06,
2. The allocation from the Education capital programme of £300k to Oakington Manor School in 2006/07, and
3. That in view of the fact that Grove Park School did not meet the affordability requirement that total repayment under the scheme can be no more than 3% of the school's budget share, funding is not agreed for the Grove Park School scheme.

5.6 Resources

Members will note from the table at 5.1 above, that the 2005/06 Forecast Capital Programme is projecting a deficit position of £863k, which is principally as a result of a reduction in year of capital receipts.

The 2005/06 capital programme included in its resource forecast an amount of £4,400k for capital receipts. This was a challenging target for asset disposals and as demonstrated in Appendix 2 there is now slippage forecast on disposals of £1,158k, which is predominantly due to movement on the Church Road Car Park and Salusbury Road Car Park schemes. Resources in later years are increased by a corresponding amount.

The view of the Director of Finance and Corporate Resources is that this level of deficit can be managed. The overall capital programme is £101.6m and therefore the current deficit represents less than 1% of programmed expenditure. This position will be monitored throughout the year and if there is still a deficit later in the year action will be taken to ensure spending remains within resources.

- 5.7 Members are asked to agree revision of the 2005-2009 capital programme as set out in this report.

6. RISKS

- 6.1 Members are alerted to the following potential risks within the 2005 to 2009 Capital Programme. These issues are being constantly monitored and managed within the service areas and by the Capital Board.
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Corporate

The 2005 to 2009 capital programme contains the sum of £80k in each year to carry out condition surveys at the Council's non-housing properties on a rolling programme of work. The separate report on the provisional revenue outturn includes a transfer of funds to a repairs and maintenance reserve to allow a programme of planned maintenance to be carried out based on the results of the surveys and priorities within the Corporate Asset Plan. However, until the surveys are complete the total amount required for maintenance is not known and this remains a significant risk.

Education, Arts and Libraries

As reported to Executive in the Budget Setting report on the February Agenda, there is a block of schemes in the EAL capital investment plan that remain unfunded. These schemes are currently valued at approximately £1m for 2005/06 and £24m over the 3 year period of the plan. When considering the 2005 to 2009 capital programme it was recognised that the largest challenge within the General Fund capital programme was the funding of the education capital requirements, in particular the need for new school places in advance of Section 106 monies becoming available from the Quintain development. Also, the government's decision not to include Brent in Wave 2 or 3 of Building Schools for the Future means the council has to make decisions about what it needs to fund in advance of money becoming available for Building Schools for the Future.

The approved programme of works is also coming under pressure from upward cost movements in the construction industry and work is currently under way to negate these increases through specification reviews on a number of schemes.

In addition to the above, it has become apparent that overspends are now being forecast on the Surestart Children's Centres schemes. Work is currently underway to contain these overspends within existing budget provision.

Environment

As part of the budget setting process the Environment programme was re-prioritised to enable funding of the organic waste collection service and other equipment related to improvements in the waste service. This was mainly funded by the deletion of lower priority schemes, which will still require capital expenditure in future years and for which priority will increase.

Housing

The new mechanism for the allocation of housing funding through the Regional Housing Board remains a risk to the Council's capital programme. These resources were allocated to the Council at a rate of 70% per annum of the Council's Housing Investment Programme for 2004/2005 and 2005/2006. It has been assumed that this rate will remain constant for the period 2006/2007 to 2008/2009, however, the actual allocation could be less. It should also be noted that a large element of the allocation received is

ringfenced to support expenditure on the Housing Revenue Account only, thus reducing the level of support available to the General Fund.

7. Prudential Indicators for 2005/06 and Subsequent Years.

- 7.1 This section of the report considers the full suite of prudential indicators for the London Borough of Brent as approved by Full Council on 28th February 2005.
- 7.2 The prudential indicators listed at Appendix 3 include those that are in place to monitor the treasury management aspects of the Council's capital expenditure and further detail on these are given within the Treasury Management Monitoring report elsewhere on this agenda.
- 7.3 The prudential indicators are reviewed in line with those areas that Members must have regard to, as follows:
- (a) Affordability e.g. implications for council tax and council housing rents.
 - (b) Prudence and sustainability, e.g. implications for external borrowing.
 - (c) Value for money, e.g. options appraisal.
 - (d) Stewardship of assets, e.g. asset management planning.
 - (e) Service objectives, e.g. strategic planning for the authority.
 - (f) Practicality, e.g. achievability of the forward plan.
- 7.4 The arrangements put in place for monitoring prudential indicators are as follows:
- The probable actuals and estimates for all prudential indicators are reported as part of this monitoring report to the Executive.
 - Our report to the General Purposes Committee on the unaudited accounts will include details of the outturn on prudential indicators on affordability, capital spending, and external debt. Any amendments during audit will be included in our report to GPC on audited accounts.
 - Prudential indicators on affordability and capital spending will continue to be reported in regular capital monitoring reports to the Executive.
 - Prudential indicators on external debt and treasury management are monitored daily in Brent Financial Services. The Director of Finance and Deputy Director of Finance review the figures on these indicators on a weekly basis. Any forecast of a breach of the limits or actual breach of the limits will be reported at the first opportunity to General Purposes Committee. The only exception to this is breaches of the operational boundary on borrowing which will be reported in the next budget monitoring report to the Executive (unless they are sustained in which case they will be reported on an exception basis to General Purposes Committee).
- 7.5 Section 9 of the 2005 Budget Setting Report submitted to Full Council on 28th February gave full details of the Prudential Indicators required to be considered by members, including full descriptions of what each indicator
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represents and why members are required to consider it. If members wish clarification on any such matters surrounding the Prudential Indicators, please refer to the previous report.

- 7.6 Appendix 3 to this report gives the full suite of indicators required to be considered by members. The changes from the indicators reported to Full Council on 28th February 2005 are due to reduced spending on the capital programme in 2004/2005. This has improved the position on affordability with capital financing charges falling as a proportion of net revenue spending.

8. Financial Implications

- 8.1 This report is entirely concerned with financial matters in relation to the Council's Capital Programme.

9. Legal Implications

- 9.1 Under the Local Government Act 2003 the council is required to determine and keep under review how much money it can afford to borrow. This function must be carried out by full council and cannot be delegated. Regulations made under the Act require the council to have regard to the CIPFA Prudential Code for Capital Finance when setting or revising its borrowing limit and carrying out its capital finance functions under the Act.
- 9.2 The CIPFA Code sets out requirements concerning matters to be considered when setting or revising the prudential indicators required by the Code.
- 9.3 The capital programme for the year is agreed by full council as part of the annual budget. Changes to, or departures from, the budget during the year other than by full council itself can only be agreed in accordance with the Scheme of Transfers and Virements contained in the Constitution.
- 9.4 Under the scheme the Executive approves particular schemes where sums have been allocated for a particular type of work and has power (subject to criteria in the scheme) to:
- Make virements to prevent the overall programme overspending;
 - Vire from one set of capital projects to another providing the resources are available and contractual commitments can be met;
 - Commit new resources identified during the year to "reserve" projects if there are any or to new projects if there are not.
- 9.5 The Director of Finance and Corporate Resources is satisfied that the criteria in the scheme are satisfied in respect of the virements and spending proposed in this report at paragraphs [5.1 and 5.3].

10. Diversity Implications

- 10.1 There are no specific diversity implications arising from this report.
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11. Staffing Implications

11.1 There are no specific staffing implications arising from this report.

Background Information

1. Report from the Director of Finance entitled "2005/2006 Budget and Council Tax" to the Council Meeting on 28th February 2005.
2. School Loans Scheme.

Any person wishing to inspect these documents should contact Committee and Member Services, Room 106, Brent Town Hall, Forty Lane, Wembley, Middlesex. HA9 9HD. Tel. 020 8937 1353

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