

LONDON BOROUGH OF BRENT

**EXECUTIVE MEETING - 12th NOVEMBER 2003
COUNCIL MEETING - 17th NOVEMBER 2003**

REPORT FROM THE DIRECTOR OF FINANCE

FP REF NO. BFS 50/03

ALL WARDS

FOR ACTION

2003/2004 CAPITAL BUDGET MONITORING REPORT AND S106 UPDATE REPORT

1. SUMMARY

This report reviews the latest position on the 2003/2004 Capital budget. It also sets out the progress on the review of Section 106 balances held.

2. RECOMMENDATIONS

The Executive is recommended to:

- 2.1. Note the latest position and agree the revised budgets in respect of the 2003/2004 programme per paragraph 5.1
- 2.2. Agree to retain the remaining £1m of resources as a contingency budget.
- 2.3. Note the position on the Section 106 review.

3. FINANCIAL IMPLICATIONS

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

4. STAFFING IMPLICATIONS

There are no staffing implications from this report.

5. DETAIL

5.1 Overall Position on the Programme

The 2003/2004 Capital Programme is set out below. It details estimated resources and agreed total budgets against a projected outturn. Currently the position shows that a balanced programme can be achieved.

TABLE 1 - 2003/2004 REVISED BUDGET AND PROJECTED OUTTURN

Programme Detail	July Revised Budget £m	Revised Budget £m	Projected Outturn £m
Resources:			
Basic Credit Approval	15.074	15.074	15.074
Supplementary Credit Approval	-	33.897	33.897
Capital Funding Account	7.450	7.681	7.681
Capital Receipts Brought Forward	-	.034	.034
Capital Receipts in Year	5.004	6.518	6.518
HRA RCCO	-	1.200	1.200
Section 106	1.600	1.600	1.600
Grant Income	20.463	35.151	35.151
Total Resources	49.591	101.155	101.155
Service Area Expenditure:			
Education, Arts and Libraries	8.302	9.354	9.354
Environment	12.705	15.022	15.022
Social Services	.498	.498	.498
Housing	12.796	59.633	59.633
Corporate Services	2.523	2.441	2.441
Total Service Expenditure	36.824	86.948	86.948
Central Items			
Retentions	.203	.160	.160
Grange Road Acquisition	.140	.140	.140
Deferred Purchase	.659	.675	.675
Elm Road Car Park Lease	.250	.250	-
St Martin's Church Hall	.315	.315	.315
Property Leases	.700	.700	.700
Provision for Liabilities	-	.900	.900
SRB Programmes	10.067	10.067	10.067
Total Central Items	12.334	13.207	12.957
Overall Total Expenditure	49.158	100.155	99.905
(Surplus)/Deficit	(.433)	(1.000)	(1.250)

5.2 The revised budget position takes account of changes to resources and expenditure as a result of the 2002/2003 outturn position, as per the Unaudited Statement of Accounts 2002 – 2003, the allocation of resources by the 7th April meeting of the Executive and variations that have occurred to date in the 2003/2004 financial year.

5.3 The changes that have occurred between the provisional outturn position reported to Committee in July and that as per the Unaudited Statement of Accounts 2002 – 2003 reduced the surplus by £0.047m, and can be summarised as follows:-

- (a) Grant income increased by £14.687m of which £11.982m is due to the inclusion of the Housing Major Repairs allowance which is offset by the increase in Housing expenditure to reflect the same. The remaining

£2.705m relates to an increase on the Environment programme due to TFL grants.

- (b) Education's expenditure position has increased by £1.052m predominantly due to increased schemes carried forward on the Libraries Programme. This is part funded by increased resources in the SCA and Capital Funding Account of £0.412m and reductions on service area commitments of £0.389m (Environment), £0.095m (Housing) and £0.082m (Corporate Services). There is also a reduction in expenditure on central items of £0.027m. The remaining increase in expenditure of £0.047m reflects the reduction in surplus on the revised budget as a whole.

5.4 The variations that have occurred to date in this financial year are as follows:-

- (a) Confirmation of the Housing ALMO SCA, which may be used to support borrowing up to the value of the full initial allocation of £33.750m for 2003 – 2005.
- (b) The receipt of a £4.984m contribution from New Horizons in respect of the sale of land to George Wimpey. The contribution is split into two elements, ringfenced for Chalkhill.
 - £1.514m to offset the costs of site clearance. This amount is included in the financial position set out above.
 - £3.47m to provide for the construction of a new community facility, compensation payments and costs of providing a temporary health centre and removing the old ones. This amount is not included in the above position but is held in reserve in the Council's balance sheet.
- (c) Additional Housing Main Programme Expenditure of £1.2m, to be funded by a Revenue Contribution to Capital Outlay.
- (d) Inclusion of a provision to meet a range of liabilities that will probably have to be met by the Council in relation to a number of past and existing schemes. The total costs are not currently quantifiable but a prudent estimate is £0.900m. These costs will be met from the Capital Funding Account as this has been provided through revenue contributions.

5.5 Use of spare Resources in the Current Year

Although the Capital Programme is forecast to achieve £1m surplus Members are recommended to retain this balance as a contingency since:

- (a) The Programme is dependent this year on a large contribution from capital receipts. It is a complicated list of disposals and a safeguard is required in the event that the target is not achieved. The target, excluding Chalkhill for general fund usable receipts is £4.575m, currently only £320k has been achieved.
- (b) There will undoubtedly be a need for additional resources during the course of the year to meet emergency works.

- (c) The main programme in future years is currently forecast to be in deficit and it would be prudent at this stage to retain any surplus resources to assist with next year's funding. An overview is set out below:

	2004/05 Budget £'000	2005/06 Budget £'000	2006/07 Budget £'000
Resources	(23,395)	(17,138)	(9,008)
Expenditure	27,438	21,099	15,366
Overall Deficit Position	4,043	3,961	6,358

The position has deteriorated to that previously forecast because of changes to the allocation of Housing resources from Central Government. These resources will now be allocated to the Council by the Regional Housing Board (RHB) who plan to allocate only 70% p.a. of the Council's HIP for two years. Thereafter, the RHB may choose to allocate less than this, only 50% has been assumed in 2006/2007.

5.6 S106 Update

Following the review undertaken by the Director of Finance and the initial considerations of the Capital Board, the Planning Service undertook a second review to reconcile the balances held, consider the classification of funds, finalise the schedules and agree a series of recommendations for action. This was submitted to Capital Board on 26th September 2003.

The Capital Board considered these recommendations and agreed that Planning Service in conjunction with BFS and Environment officers would:-

- (a) Reconsider the amended classification of the schedules in the light of the discussion and identify those sums which could immediately be released to capital funding.
- (b) Undertake a further review of those sums where doubt still existed as to availability, and assess whether evidence was available to allow release to capital funds.

Also that Service Departments would have to establish a projects eligibility to utilise available s106 monies, before any growth bids are approved, as part of the 2004/2005 budget process.

As a result of the work already undertaken on this review, the following has been achieved:-

- (a) All s106 accounts have been reviewed and reconciled in the light of the need to correct current deficits and individual legal provisions of agreements.

- (b) Projects have been identified and are in the process of, or are capable of being delivered against monies available. These will be kept under review.
- (c) Initial indications are that a number of projects have been identified where works have been completed and all money spent, but service areas have not claimed reimbursement. In these cases s106 monies could be transferred back to the capital funding account, although further work is required before this is quantifiable.

A further update on these items will be submitted to the October Capital Board meeting.

The Executive are recommended to note the progress made to date.

6. BACKGROUND INFORMATION

1. Report from the Director of Corporate Services entitled "*4 Grange Road, Willesden*" to the Executive on 7th April 2003.

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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