ITEM NO: 12

	Executive 17th July 2006 **Report from the Director of Finance and Corporate Resources**
For Action	Wards Affected: ALL

Provisional 2005/2006 Capital Outturn and 2006/2007 to 2009/10 Capital Programme

Forward Plan ref: F&CR-06/07-2

1. Summary

1.1 The Capital Programme and Prudential Indicators were considered and approved by Full Council on the 6th March 2006. This report sets out the closing position on the 2005/2006 capital programme and revised programme for 2006 to 2010.

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 2005/06 capital programme.

2.2 Agree the revised budgets for the 2006/07 capital programme, and note the forecast position on the 2007/08 to 2009/10 programmes.

2.3 Note the progress made on the School Loans Scheme, as detailed in paragraph 6.4 and that the Director of Children and Families intends to confirm the issue of a loan to Woodfield School.

2.4 Note the proposals for progression of the Priority 1 Backlog repairs works, as detailed in paragraph 6.5.

2.5 Agree the draft outturn position for 2005/06 and note the revised position for years 2006/07 to 2009/10 on the Council's Prudential Indicators. Members should also note the contents of the Treasury Management Annual Report elsewhere on this agenda, which contains further details on the Prudential Indicator outturn position for 2005/06.

2.6 Agree the submission of an updated version of the Capital Strategy to the September meeting of the Executive that will consider revised capital investment priorities of the Council for the period 2006/07 to 2010/11.

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 the Chartered Institute of Public Finance Accountants, 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 2006/07 to 2009/10 Capital Programme setting process was based on the decision taken to reduce the levels of unsupported borrowing over the period of the programme in order to ensure the programmes sustainability in line with the Medium Term Financial Strategy. 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 reported to Full Council on 6th March 2006/07 were £2.602m in 2006/2007, £3.900m in 2007/2008, £5.075m in 2008/2009, and £5.989m in 2009/2010. As a result of the draft outturn position for 2005/06 these have subsequently been amended as follows: £2.537m in 2006/2007, £3.830m in 2007/2008, £5.007m in 2008/2009, and £5.919m in 2009/2010. The change in these forecasts is dealt with in greater detail at paragraph 4.5 of this report. 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 strategy.

4. The Closing Position of the Capital Programme 2005/06

4.1 Total spending on the capital programme in 2005/06 was £114.1m, made up of £75.5m on the General Fund and £38.6m on the Housing Revenue Account. The overall position on the 2005/06 capital programme was balanced, however, there is a shortfall of £60k in resources available to carry forward to meet re-phased expenditure from 2005/06 to 2006/07, resulting in a deficit position in 2006/07. 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.

CHANGES BETWEEN FORECAST AND ACTUAL OUTTURN FOR 2005/06

	£'000
Spending	
Forecast spending outturn – March 2006	**97,877**
Add items not included in the forecast outturn	
Revenue contributions from General Fund	4,914
Revenue contributions from HRA	4,522
Single Regeneration Budget funded projects	15,898
Surestart funded projects	2,648
Granville Plus Development	1,370
South Kilburn New Homes	1,680
Additional external grant	3,537
Other amendments	1,416
Sub-total	**133,862**
Less: Re-phasing of spending between years	(18,412)
Underspend against budget on General Fund Expenditure	(1,267)
Total spending	**114,183**
Less: Total resources	(114,123)
Deficit on Re-phased Expenditure Carried Forward	**60**

4.2 Analysis of Re-phased Expenditure

As can be seen from the table at 4.1 above there has been a total re-phasing in capital expenditure commitments of £18.412m from 2005/06 to 2006/07. However, resources available to fund this re-phasing totals £18.352m resulting in a deficit in funding of £60k. The table below further analyses the impact of the re-phasing of expenditure across the service areas.

Analysis of Re-phased Expenditure by Service Area

Service Area	**£'000**
Expenditure	
Children and Families	**2,595**
Environment & Culture	**8,121**
Housing & Community Care: Adults	**119**
Housing & Community Care: Housing	**794**
Housing – HRA	**3,455**
Corporate	**3,328**
Total Slippage	**18,412**
Available Resources to Carry Forward	**(18,352)**
Unfunded Expenditure Re-phased to 2006/07	**60**

As the table shows the capital programme currently shows a £60k deficit on amounts carried forward which is creating a minor deficit on the 2006/06 capital programme. It is the view of the Director of Finance and Corporate Resources that this is a relatively insignificant sum and there will be further slippage on the programme later in the financial year that will allow this deficit to be managed within the year.

4.3 **Analysis of Variances in Expenditure**

As can be seen from the table at 4.1 above there has been an underspend against budget on general fund expenditure in 2005/06 of £1.267m. This net underspend has been offset by a reduction in available resources. The table below further analyses the net variances against budget across the service areas.

Analysis of Variances in Expenditure and Resources

Service Area	£'000
Expenditure	
Children and Families	**35**
Environment & Culture	**524**
Housing & Community Care: Adults	**0**
Housing & Community Care: Housing	**200**
Housing – HRA	**0**
Corporate	**508**
Net Reduction in Expenditure	**1,267**
Reduction in Available Resources	**(1,267)**
Net Position in Year	**0**

4.4 **Analysis of Resources**

The table below details movement in resources available to fund the 2005/06 Capital Programme.

CHANGES BETWEEN FORECAST AND ACTUAL RESOURCES AVAILABLE FOR 2005/06

	£'000
Resources	
Forecast Total Resources – March 2006	**97,877**
Add items not included in the forecast outturn	
Revenue contributions from General Fund	4,914
Revenue contributions from HRA	4,522
Single Regeneration Budget funded projects	15,898
Surestart funded projects	2,648
Granville Plus Development	1,370
South Kilburn New Homes	1,680
Additional external grant	3,537
Other amendments	1,416
Sub-total	**133,862**
Less: Resources carried forward to 2006/07	(18,352)
Reduced TFL Grant available to be claimed	(524)
Reduced DFG Grant available to be claimed	(199)
Reduced availability of RTB receipts against forecast	(585)
Reduced availability of Grange Museum receipt against forecast	(168)
Reduced Capital Funding Account levels	(3,921)
Other amendments	395
Sub-total	**110,508**
Plus: Increase in Unsupported Borrowing	3,675
Total Resources	**114,183**

4.5 **Impact of changes in Unsupported Borrowing to Revenue Debt Charges**

As noted in the tables above there has been an increase in the level of unsupported borrowing required to fund the 2005/06 capital programme. It has also been noted during the closing process that actual unsupported borrowing undertaken during 2004/05 was £8.261m against the notional amount previously included in the accounts of £13.842m. As per paragraph 3.4 above, the table below summarises the impact of these changes to unsupported borrowing levels required to fund the capital programme and the capital charges incurred by the council. The table also shows the impact on council tax levels. Self funded borrowing is excluded from this calculation as it refers to borrowing that is funded directly by the service areas within existing budgetary provision, and as such does not have any affect on Council Tax levels.

Impact of Unsupported Borrowing on Revenue Costs/Council Tax

	2006/07 £'000	**2007/08 £'000**	**2008/09 £'000**	**2009/10 £'000**
2004/05 Unsupported borrowing £8.010m (excluding all self funded expenditure)	841	841	841	841
2005/06 Unsupported borrowing £12.046m (excluding all self funded expenditure)	1,277	1,265	1,265	1,265
2006/07 Unsupported borrowing £12.317m (excluding all self funded expenditure)	419	1,306	1,293	1,293
2007/08 Unsupported borrowing £12.312m (excluding all self funded expenditure)	0	419	1,305	1,293
2008/09 Unsupported borrowing £8.892m (excluding all self funded expenditure)	0	0	302	943
2009/10 Unsupported borrowing £8.369m (excluding all self funded expenditure)	0	0	0	285
Cumulative total	**2,537**	**3,830**	**5,007**	**5,919**
Impact on Band D Council Tax – using 2006/07 council tax base of 94,047	£26.98	£40.72	£53.24	£62.94
Impact on Band D Council Tax – using 2006/07 council tax base of 94,047 as reported to Full Council	£27.67	£41.47	£53.96	£63.68
Variance	**(£0.69)**	**(£0.75)**	**(£0.72)**	**(£0.74)**

Members should note that unsupported borrowing included in the table above for 2005/06 includes an element of £1.507m relating to the funding of accruals for the year.

4.6 Provisional gross capital receipts achieved in year amount to £8.859m. Of these gross receipts £2.811m have been used to fund capital expenditure with the balance being paid over to the Secretary of State under the Pooling of Capital Receipts requirements.

4.7 Members should be aware that all figures at this stage could be subject to change as a result of the 2005/06 external audit and other closing of account adjustments.

5. Key Outcomes from spending in 2005/06

5.1 The table below sets out the key outcomes from spending on the capital programme in 2005/06, as per the definition of desired outcomes laid down in the Capital Strategy 2005 – 2010.

Desired Outcome	**Performance in 2005/06**
Council Housing:	
Number of non-decent Homes	Down from 2,725 at April 2005 to 1,184 at March 2006.
Energy rating of council properties	SAP rating up from 65.9 at April 2005 to 66.7 at March 2006.
Condition of Buildings:	
Schools	Priority 1 (urgent) repairs down from £3.1m at April 2005 to £1.8m at March 2006.
Schools	Backlog of overall required repairs down from £20.02m at April 2005 to £17.1m at March 2006.
Other Council Buildings	Priority 1 (urgent) repairs down from £4.83m at April 2005 to £4.33m at March 2006.
Other Council Buildings	Backlog of overall required repairs down from £15.77m at April 2005 to £15.27m at March 2006.
Suitability of Buildings:	
Percentage of all council buildings with disabled access	Up from 77% at April 2005 to 80% March 2006.
Transport:	
Improved road safety	Reduction in numbers killed or seriously injured from 191 in 2004/05 to 155 in 2005/06 and is continuing towards achieving the 2010 target of 122.
Increasing accessibility	During 2005/06 the council has maintained its 100% position that all pedestrian crossings in the Borough have dropped kerbs.
Highways, pavements and bridges:	
Carriageway resurfacing	From April 2005 to March 2006 13.2km of resurfacing has been undertaken.
Principal road resurfacing	From April 2005 to March 2006 8.6km of resurfacing has been undertaken.

Pavement upgrades	From April 2005 to March 2006 17km (both sides) of replacement has been undertaken.
Bridges	One major road network bridges have had weight restrictions removed.
Street Lighting	From April 2005 to March 2006 75 streetlights have been replaced.
Private Sector Housing:	
Disabled Facilities Grants	156 homes were made accessible between April 2005 and March 2006 as a result of award of disabled facilities grants.
Private Sector Renewal grants	125 empty homes have been brought back into use between April 2005 and March 2006. 165 properties have been brought up to decency standard between April 2005 and March 2006.
Housing Association Grants:	
Nominations for homeless families	53 nominations have been made to housing association properties between April 2005 and March 2006 as a result of grants by the council to housing associations.

In addition to the information in the table above, members should note that the major capital projects and other capital expenditure in excess of £500k during 2005/06 were as follows:-

Scheme	**2005/06** **£000's**
Renovation Grants	5,408
Social Housing Grants	3,969
South Kilburn New Homes	1,680
Gladstone Park Primary School	670
Chalkhill Primary School	1,167
Kingsbury High School	519
Wembley Park Trading Estate Access Road	1,704
Granville Plus Centre	1,370
Local Road Safety Schemes	951
Principal Road and Carriageway Programme	2,448
Upgrade Footways	2,124
Council Housing	38,638

Bus Priority Network	759
Bridge Strengthening Programme	610
Data Network	552
Oakington Manor School	620
Salusbury Primary School	735
Wembley High School	602
Willesden Green Library Centre	2,299
Children's Centres	2,802
Willesden Sports Centre	3,200
Organic Waste Programme	1,003
Wembley Stadium Access Corridor Road	2,310
Wembley Stations Accessibility	14,278

6. Monitoring of the 2006/07 to 2009/10 Capital Programme

6.1 The 2006/2007 Capital Programme is summarised in the table below. It details estimated resources and agreed total budgets against a projected outturn. The current forecast position shows a deficit of £310k on the programme. Full details on a scheme by scheme basis are contained in Appendix 2 to this report.

2006/2007 REVISED BUDGET AND PROJECTED OUTTURN

Programme Detail	2006/07 Capital Programme £000	2006/07 Revised Capital Programme £000	2006/07 Forecast Capital Programme £000
Resources:			
Total Resources	**(49,787)**	**(68,950)**	**(73,465)**
Service Area Expenditure:			
Children and Families	20,710	23,305	27,820
Environment & Culture	10,123	19,055	19,393
Housing & Community Care: Adults	600	719	719
Housing & Community Care: Housing	8,569	9,363	9,363
Housing – HRA	6,500	9,955	9,955
Corporate	3,285	6,613	6,525
Total Expenditure	**49,787**	**69,010**	**73,775**
(Surplus)/Deficit	**0**	**60**	**310**

6.2 The revised capital programme takes account of changes to resources and expenditure as a result of the 2005/06 provisional outturn.

6.3 The forecast capital programme takes account of those amendments to projected capital expenditure in 2006/07 identified by the individual service areas to date, and includes the following:

Children and Families

- Inclusion of expenditure on the LEA Controlled Voluntary Aided Programme (LCVAP), £1.095m in 2006/07 and £1.191m in 2007/08, which includes Modernisation and Schools Access Initiative works. This expenditure is funded in full through DfES grant and therefore has a nil net effect on the programme overall. This expenditure has been included in the programme to add fuller detail and clarity to the reported Children and Families Capital Programme position.
- Additional Targeted Capital Fund monies have been approved by the DfES to provide new accommodation at The Avenue Primary School. All forecast expenditure is met by the additional grant funding and therefore there is a nil effect on the programme overall.

Environment and Culture

- A sum of £250k has been brought forward from the 2007/08 parks and cemeteries allocation to the current year to meet expenditure already incurred at Roe Green Park for the installation of a multigames area and trim trail, plus landscaping of the old lido site, as per the findings of the public consultation. This is as per the approval at Full Council to the Budget Setting report, which stated that: “The Director of Finance and Corporate Resources can bring forward schemes from later years of the programme; subject to resources being available;” The capital programme currently shows a £250k deficit as a result of this movement, however, it is the view of the Director of Finance and Corporate Resources that there will be further slippage on the programme later in the financial year that will allow this deficit to be managed within the year. There is a nil effect on the full 2006/07 to 2009/10 Capital Programme overall.
- An amount of £88k has been transferred from the provision for liabilities within central items to Environment and Culture to meet the cost of improvements to the park areas surrounding the Willesden Sports Centre under the PFI scheme. Provision will include cycle paths, lighting and signage.
- Libraries Grant of £811k has been received from the Big Lottery Fund towards the Grange Museum relocation and Willesden Green Library scheme. The sum of £350k from this allocation has been used to fund additional costs on these schemes in 2005/06, the remaining balance has been allocated to meet the costs of the scheme in 2006/07. There is a nil effect on the programme overall.

6.4 **School Loans Scheme**

On 17th June 2005 the Executive agreed to introduce a loan scheme to schools under the prudential capital arrangements following consultation with schools.

The basis of the scheme is to enable schools to access repayable funding for capital investment on improvement projects. In addition to its core capital programme, it was agreed that the Council may make a contribution towards the cost of the of capital schemes at schools that have successfully applied for funding under the scheme and the schools fund the balance of the cost of the works. Key aspects of the scheme are:

- At the beginning of each financial year schools are invited to submit applications to the council for assistance under the scheme.
- Applications are assessed in accordance with Asset Management Plan criteria.
- The council will fund up to 50% of the cost of the project, provided this is within budgetary allocation.
- Participating schools are required to pay the council the balance of the costs of the project plus any debt charges or interest incurred by the council in financing that element of the cost of the project over a period of 25 years.
- The council will not approve any scheme which would result in the repayments by the school exceeding 3% of its budget share.

The Education capital programme includes an amount of £300k in 2006/07 as a contribution to the Claremont High School Loan Application that was approved by Executive Committee on 11th July 2005.

Subsequently the Director of Children and Families has received a further proposal under the School Loan Scheme for 2006/07 from Woodfield School. The loan amount is £500k and the nature of the work is to provide mental health resource and disabled access including medical room provision, studio, intervention rooms and a sensory room linking to the main school. This will link with the works to be carried out at the school under the SEN Review schemes approved within the existing Children and Families capital programme and will not require further resource from the council, having a nil effect on the capital programme overall.

The loan request meets the criteria for the scheme and the Executive is therefore asked to note that the Director of Children and Families has approved the application for Woodfield School to a School Loan of £500k under the criteria of the scheme, following consultation with the Capital Board.

6.5 **Repairs and Maintenance – Priority 1 Backlog Repairs**

A comprehensive condition audit of corporate properties in 2004/2005 identified a high backlog of building maintenance across the council's buildings. An allocation of £4.8m was approved in the capital programme between 2006/07 and 2009/10 by Full Council on 6th March 2006 plus an additional amount of £174k in 2005/06. There is also a revenue reserve established in the sum of £1.0m to meet the costs of these work, making available total funding of £5.974m This allocation was approved in order to make a significant reduction to high risk defects, classified Priority 1 under ODPM standards. Appendix 3 to this report presents a phased approach to dealing with the backlog. The objective is to remedy and reduce the Priority 1 defects over an 18 month period (April 2006 to December 2007) followed by the rest of the backlog defects (Priority 2 and 3) by December 2010 subject to capital allocations remaining/being available.

The first phase of the programme will focus on Priority 1 building defects (deemed to pose the highest risk). The proposed works have been prioritised (in consultation with respective service directorates) to reflect a balance between defect risk and service strategies/priorities. Additionally pragmatic decisions on certain works and buildings have been factored into the formulation of the programme based on the Council's office accommodation strategy and the new civic centre project. The prioritised works have been further grouped into packages, as shown at Appendix 4, in line with approved allocations over the whole capital programme. Projected and current progress on the project is shown in a Gantt chart at Appendix 5.

The table below summarise the various capital costs and phasing for these works: -

	2006/07 £000	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**	**Total £000**
Gross Cost	2300	1150	1350	1150	5950
Allocations	5950	2300	1150	1350	1150

The allocation of resources to this programme of works is forecast to deliver the following range of benefits to the Council: -

- Reduction in Priority 1 backlog - The completion of this phase of the project (2006/7) is expected to reduce the amount of reported Priority 1 backlog defects by approximately 50% based on the 2004/05 survey

- Efficiency/financial benefits - The project will facilitate a co-ordinated approach to proactive/planned property maintenance (PPM) across departments. Direct financial benefits will be derived through negotiation of improved terms for 'collective maintenance/service contracts' as opposed to the existing ad hoc approach.

- Efficiency/shared resources - The project will promote inter-departmental cooperation between property managers, and facilitate consistency in property management standards across the Borough (through the Building Maintenance/Project Sub Group – Asset Board).

- Management of compliance: - The surveys will provide an accurate picture of the current state of compliance to building-related legislation/regulations which will enable on-going monitoring and support from Property and Asset Management.

Members should note that there is an element of financial risk, in terms of increased costs due to the nature of the works and the potential for hidden defects. The risk of project budget over-runs is higher in refurbishment projects due to the increased uncertainty during works specification, as hidden defects are usually only found after commencement.

This risk will be managed as follows:

- Thorough cost-analysis and cost-planning at pre-contract stage.
- An allowance of 10-20% cost contingency (£250k) has been built into the 2006/07 budget to cater for unforeseen defects. Should there be a residue of the contingency sum when the full scope of works is known, it is proposed to tackle other Priority 1 works in other properties not yet included in packages 1 & 2.
- Regular cost-monitoring and cost-reporting during the construction stage.

6.6 **Capital Disposals Programme**

The 2006/07 capital programme included in its resource forecast an amount of £3.0m for capital receipts, with a further £6.0m targeted to the end of 2009/10. This was a challenging target for asset disposals and as demonstrated in Appendix 2 there is now slippage forecast on disposals of £1.071m, which is predominantly due to a delay on the receipt from the Chalkhill CFB site. Resources in later years have increased by a corresponding amount to reflect this movement.

Appendix 6 to this report provides members with details of the properties currently targeted for disposal in the current year's disposal programme. However, there are a number of specific matters that members should note:

- John Billam Pavilion – Previously the Executive approved a sale on long lease of the pavilion to the Gujarati Arya Association (GAA). The transaction required the GAA to undertake certain refurbishment works to the pavilion and also required them to provide new adjoining self contained changing rooms to Sport England standard. These changing rooms are in Council ownership and will be utilised by Parks Service entirely independent of GAA. The former redundant changing rooms were housed within the pavilion building now completely renovated by GAA for its community purposes. Last month building control issued a certificate of completion which under the contract for lease meant that we could move toward completion and receipt of the sum of £500k (less £85k for payment for work to the changing rooms). However to date, despite continued requests to complete the GAA have, for whatever reason, failed to make any substantial response. Therefore at this stage the Council has only received a deposit of £50k; although we have now requested interest on the outstanding balance and the changing rooms are now available for our use. In order to bring this matter to a conclusion the contract allows the Council to trigger a notice period which will require the GAA to complete within a fixed time period. Failure to do so could result in the contract being rescinded and would almost certainly involve litigation action. It is understood the GAA have approached a bank to raise finance to complete this matter and have also submitted a planning application to vary the usage of the premises for events.

- Wembley Square (Lodge and Manor Court) – As members will be aware developer, St. Modwen's/Roche Group, has begun the complete redevelopment of this run down area of Wembley High Road. Demolition has already commenced and planning permission obtained for a mixed residential commercial scheme including affordable housing units. The Council hold a long lease on two residential tower blocks adjacent to the redevelopment site and St. Modwen's/Roche Group have recently approached the Council to propose a Deed of Variation to regularise the Councils occupied areas. This will result in some areas being included within the Council's leases and in return the Council will permit a readjustment of the car park spaces facilitating the construction of a Mall access staircase and will surrender for demolition two disused 'rooftop garden' areas above the proposed scheme. In addition St. Modwen's/Roche are to make a one-off payment of £50,000.

- Winkworth Hall – Until the end of July these premises house, an adult education project provided by the Council and run by BACES, plus a privately run nursery, Hopscotch. From July BACES will decant to nearby premises in the Carlton Centre, Granville Road. The building will thereafter be largely empty and as such consideration is being given to its future potential. Due to the amount of repair work and inadequate disabled access it is unlikely that any internal Council use will be identified. Additionally the site has been identified as a site which could be used to help deliver the affordable Housing and Learning Disability PFI. Alternatives would include disposal for a capital receipt. Therefore in the medium term it is probable that the Council will seek full vacant possession. Initial discussions have taken place with Hopscotch to attempt to arrive at an acceptable solution which at this stage includes consideration of a decant to an alternative site being evaluated by Children & Families as part of the Children's Centre programme.

In addition members should note that there are to some extent opposing priorities for a number of the sites included within the disposals programme, most notably the potential use of properties within the Housing and Learning Disabilities PFI scheme. Any alternative use of listed sites for other priority needs will result in the loss of any potential capital receipt and thus add risk to the achievement of forecast amounts within the capital programme.

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

7. Risks and Planning of the 2007/08 to 2010/11 Capital Programme

7.1 Members are alerted to the following potential risks within the 2006/07 Capital Programme. These issues are being constantly monitored and managed within the service areas and by the Capital Board.

- City Academy – The land purchase of the proposed site for the new academy is currently being forecast at a minimum of £3.0m. There is a main programme allocation of £1.0m, plus an expectation that new S106 funds will be utilised to at least partly meet the balance. Issues remain around the identification of alternative sites if the current Wembley location assumed is not agreed.

- Preston Manor – Representations have been made to the DfES with regard to the level of additional funding required by the Council as a result of the schools successful application under the Popular Schools initiative. If unsuccessful in its representation the Council would have to provide a further £2.0m above the £2.0m already included within the capital programme. A separate report elsewhere on this agenda deals with the proposal for expansion at this school.

- John Kelly Schools – Provision of £5.0m has been made for purchase of the land to allow for the re-build and expansion of the schools under the Government’s Building Schools for the Future programme. This provision appears adequate, but the valuation has not yet been finalised. A separate report elsewhere on this agenda deals with the proposal for expansion at this school.

- Recently the Council has installed a state of the art Emergency Control Centre and CCTV operation on the ground floor of Brent House, a leased office block on Wembley High Road. As part of the risk evaluation for this operation a team is currently considering how to minimise any disruption to these potentially crucial services and ensure continuity. Currently the need for the installation of an emergency generator and other such appropriate IT and technical contingency requirements are being considered. Options available to the Council are being evaluated but it should be noted at this stage there could be a capital growth bid for a sum between £140,000 and £350,000. The cost will be primarily determined by the technical specification of any solution and the extent of the area to be safeguarded.

7.2 In addition there are a number of longer term matters that are likely to have an impact on latter years of the existing 2006/07 to 2009/10 Capital Programme. As with those issues identified for the shorter term these matters are the subject of ongoing monitoring.

- Schools Asset Management Plan schemes – The programme of works were significantly reduced within the agreed capital programme to contain expenditure within previously agreed resources, this could cause pressure points in the future.

- Expansion of school places – There is an ongoing need for additional school places and the pressure remains on Children and Families to provide these places with limited resources.

- A review of the Libraries Service is currently underway and due for completion during 2006/07. The findings of this review, are as yet unknown but are likely to make significant recommendations relating to the service's accommodation, and as such could have implications for the investment required.

- Forecast expenditure within the Adult Social Care element of the capital programme was limited during the budget setting process. A review of the Day Care Service is currently underway and due for completion 2006/07. The findings of this review, are as yet unknown but are likely to make significant recommendations relating to the service's accommodation, and as such could have implications for the investment required.

7.3 As can be seen from the above there are currently no indications of significant areas of overspend on the programme although there are however some issues surrounding the adequacy of provisions. These matters will be considered as part of the next budget setting process which members should note has now commenced with services being requested to identify their capital priorities for the 2007/08 to 2010/11 Capital Programme.

8. Prudential Indicators for 2006/07 and Subsequent Years.

8.1 This section of the report considers the full suite of prudential indicators for the London Borough of Brent as approved by Full Council on 6th March 2006.

8.2 The prudential indicators listed at Appendix 7 include those that are in place to monitor the treasury management aspects of the Council's capital expenditure.

8.3 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.

8.4 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.
- The 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 the 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 breech 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).

8.5 Section 12 of the 2005 Budget Setting Report submitted to Full Council on 6th March gave full details of the Prudential Indicators required to be considered by members, including full descriptions of what each indicator 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.

8.6 Appendix 7 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 6th March 2006 are due to reduced spending on the capital programme in 2005/2006, re-phasing of expenditure from 2005/06 to 2006/07, variations to the forecast expenditure in 2006/07 and variations to the levels of unsupported borrowing as detailed in the previous sections to this report. This has improved the position on affordability with capital financing charges falling as a proportion of net revenue spending.

9. Financial Implications

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

10. Legal Implications

10.1 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.

10.2 The CIPFA Code sets out requirements concerning matters to be considered when setting or revising the prudential indicators required by the Code.

10.3 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. Any decisions the Executive wishes to take and any changes in policy which are not in accordance with the budget set in March 2006 and are not covered by the Scheme of Transfers and Virements will therefore need to be referred to Full Council. Approval of the Council's capital expenditure strategy is the responsibility of full council following presentation to it of proposals agreed by the Executive. If the Executive is minded to agree revised capital investment priorities at its meeting in September these will need to be referred to full council for approval.

10.4 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.

10.5 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 paragraph 6.3.

11. Diversity Implications

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

12. Staffing Implications

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

Background Information

1. Report from the Director of Finance entitled “2006/2007 Budget and Council Tax” to the Council Meeting on 6th March 2006.
2. School Loans Scheme.

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

DUNCAN McLEOD
Director of Finance and Corporate Resources