ITEM NO: 7

	Executive 16th July 2007 **Report from the Director of Finance and Corporate Resources**
	Wards Affected: None
2006/2007 Capital Outturn	

Forward Plan Ref: F&CR-06/07-49

1. Summary

1.1 The Capital Programme and Prudential Indicators for 2006/07 were agreed at Full Council on 6th March 2006 and monitored at regular intervals throughout the year. The forecast outturn was reported to Full Council on 5th March 2007 as part of the 2007/08 Budget Report. This report sets out the closing position on the 2006/2007 capital programme.

2. Recommendations

The Executive is recommended to:

2.1 Note the outturn position for the 2006/07 capital programme.

2.2 Agree the draft outturn position for 2006/07 on the Council's Prudential Indicators. Members should also note the contents of the Treasury Management Annual Report also on this agenda, which contains further details on the Prudential Indicator outturn position for 2006/07.

2.3 Agree, in accordance with the scheme of transfers and virements, the proposed changes to the capital programme detailed in paragraph 7.3.

3. 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 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 and the funding of this. Under the accompanying regulations, councils are required to follow the Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which sets out how councils ensure they use their new freedoms responsibly within affordability limits. 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.

4. The Closing Position of the Capital Programme 2006/07

4.1 Total spending on the capital programme in 2006/07 was £80.851m, made up of £46.551m on the General Fund and £34.300m on the Housing Revenue Account. 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 2006/07

	£'000
Spending	
Forecast spending outturn – March 2007	**61,934**
Add items not included in the forecast outturn	
Revenue contributions from General Fund	3,812
Revenue contributions from HRA	25,781
South Kilburn New Homes	8,007
Additional external grant	5,843
Other Amendments	466
Additional Prudential Borrowing for School Loan Schemes	941
Overspends – funded in 2006/07 - added to 2007/08 commitments	365 157
Sub-total	**107,306**
Less: Amounts carried forward to 2007/08	(26,455)
Total spending	**80,851**
Less: Total resources	(80,851)
Amount Carried Forward	**0**

Members should note that LEA Controlled Voluntary Aided Programme expenditure of £1.095m previously included in monitoring reports to Executive for information has not been included in this report as funding is made direct to the schools and is not included within the Council's Accounts.

4.2 **Analysis of Expenditure Carried Forward to 2007/08**

As can be seen from the table at 4.1, capital expenditure commitments of £26.455m have been carried forward from 2006/07 to 2007/08. The table below sets out the main components of this.

Analysis of Expenditure Carried Forward to 2007/08

	£'000
Schools Devolved Formula Capital Grant	2,154
Other Grants Carried Forward:	
- Children's Centre Sure Start Grant	681
- Targeted Capital Fund Grant	234
- Big Lottery Fund (NOF Works)	589
- Transport For London	409
- Improving Information Grant	180
- South Kilburn (Granville New Homes)	3,428
- Major Repairs Allowance	1,436
- Local Area Agreements	1,962
Wembley Regeneration Land Claims:	
- Estate Access Corridor	2,054
- Stadium Access Corridor	4,481
Section 106 Agreements	2,434
Re-phased Schemes	6,413
Expenditure Carried Forward to 2007/08	**26,455**

4.3 **Analysis of Resources**

The table below details movement in resources available to fund the 2006/07 Capital Programme.

CHANGES BETWEEN FORECAST AND ACTUAL RESOURCES AVAILABLE FOR 2006/07

	£'000
Resources	
Forecast Total Resources – March 2007	**62,124**
Add items not included in the forecast outturn	
Revenue contributions from General Fund	3,812
Revenue contributions from HRA	25,781
Contributions from Reserves	5,414
South Kilburn New Homes	8,007
Additional external grant	5,843
Sub-total	**110,981**
Less: Resources carried forward to 2007/08	(26,455)
Reduction in Unsupported Borrowing	(3,675)
Total Resources	**80,851**

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

As noted in the tables above there has been a decrease in the level of unsupported borrowing required to fund the 2006/07 capital programme. The table below summarises the impact of these changes to unsupported borrowing levels and the capital charges incurred by the council in the revenue account. 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 effect 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 £0m (excluding all self funded expenditure)	0	0	0	0
2007/08 Unsupported borrowing £15.850m (excluding all self funded expenditure)	0	539	1,680	1,664
2008/09 Unsupported borrowing £4.844m (excluding all self funded expenditure)	0	0	165	513
2009/10 Unsupported borrowing £4.844m (excluding all self funded expenditure)	0	0	0	165
Cumulative total	**2,118**	**2,645**	**3,951**	**4,448**
Impact on Band D Council Tax – using 2007/08 council tax base of 93,900	£23.85	£32.31	£46.19	£51.48

4.5 Gross capital receipts achieved in 2006/07 amount to £5.320m. Of these gross receipts, £3.322m have been used to fund the capital programme with the balance being paid over to the Secretary of State under the Pooling of Capital Receipts requirements.

4.6 Members should be aware that all figures at this stage could be subject to change as a result of the 2006/07 external audit and other closing of account adjustments.

5. Key Outcomes from spending in 2006/07

5.1 The table below sets out the key outcomes from spending on the capital programme in 2006/07.

Desired Outcome	**Performance in 2006/07**
Council Housing:	
Number of non-decent Homes	Down from 1,184 at April 2006 to 0 at March 2007.
Energy rating of council properties	SAP rating up from 66.7 at April 2006 to 67.0 at March 2007.
Condition of Buildings:	
Schools	Priority 1 (urgent) repairs down from £16m at April 2006 to £13.5m at March 2007.
Schools	Backlog of overall required repairs down from £40m at April 2006 to £36.5m at March 2007.
Other Council Buildings	Priority 1 (urgent) repairs down from £4.33m at April 2006 to £2.99m at March 2007.
Other Council Buildings	Backlog of overall required repairs down from £15.27m at April 2006 to £13.8m at March 2007.
Suitability of Buildings:	
Percentage of all council buildings with disabled access	Up from 80% at April 2006 to 82% March 2007.
Transport:	
Improved road safety	Reduction in numbers killed or seriously injured from 155 in 2005/06 to 124 in 2006/07 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 2006 to March 2007 13.4km of resurfacing has been undertaken.
Principal road resurfacing	From April 2006 to March 2007 6.2km of resurfacing has been undertaken.
Pavement upgrades	From April 2006 to March 2007 13.3km (both sides) of replacement has been undertaken.
Bridges	One major road network bridge has had weight restrictions removed.
Street Lighting	From April 2006 to March 2007 481 columns have been installed by contract.
Private Sector Housing:	
Disabled Facilities Grants	174 homes were made accessible between April 2006 and March 2007 as a result of award of disabled facilities grants.
Private Sector Renewal grants	109 empty homes have been brought back into use between April 2006 and March 2007 and 208 properties have been brought up to decency standard in the same period.

Housing Association Grants:	
Nominations for homeless families	30 nominations have been made to housing association properties between April 2006 and March 2007 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 2006/07 were as follows:-

Scheme	**2006/07** **£000's**
Renovation Grants	5,013
South Kilburn New Homes	4,579
Gladstone Park School	812
Alperton Community School	656
Queens Park Community College	579
Granville Plus Centre	1,118
Local Road Safety Schemes	4,133
Principal Road and Carriageway Programme	3,168
Upgrade Footways	1,070
Council Housing	34,301
Bus Priority Network	920
Bridge Strengthening Programme	939
Oakington Manor School	691
Parks and Open Spaces Programme	587
Claremont High	1,498
Willesden Green Library Centre	841
Community Safety Programme	569
Wembley Stadium Access Corridor Road	627
Wembley Stations Accessibility	1,456

6. Prudential Indicators Closing Position for 2006/07

6.1 This section of the report considers the full suite of prudential indicators for the London Borough of Brent as approved by Full Council on 5th March 2007.

6.2 The prudential indicators listed at Appendix 2 include those that are in place to monitor the treasury management aspects of the Council's capital expenditure. Further detail on these aspects of the prudential indicators is provided in the report entitled The Treasury Management Annual Report 2006/07 elsewhere on this agenda.

6.3 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.

6.4 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.
- 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 and Deputy Director of Finance and Corporate Resources 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).

6.5 Section 12 of the 2007/08 Budget Setting Report submitted to Full Council on 5th 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.

6.6 Appendix 2 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 5th March 2007 are due to reduced spending on the capital programme in 2006/2007, re-phasing of expenditure from 2006/07 to 2007/08 and variations to the levels of unsupported borrowing. This has improved the position on affordability with capital financing charges falling as a proportion of net revenue spending.

7. 2007/08 Capital Programme

7.1 The 2007/08 budget was agreed by Full Council on 5th March 2007. The total Capital Programme was balanced and expenditure was set at £78.695m. The programme will be amended as a result of expenditure carried forward from 2006/07 as detailed above.

7.2 The council's budget and performance monitoring reporting arrangements have been reviewed and it is planned that a new arrangement, involving combined budget, activity and performance reporting will be introduced. The first report covering Quarter 1 of 2007/08 will go to Executive in September.

7.3 Members should however note that there is continuing pressure on the schools capital programme as a result of the need to provide additional school places and identification of urgent repairs. In order for work to be completed over the school holiday period, members are asked to agree the following additions to the schools' capital programme in 2007/08, to be funded from resources currently allocated to Preston Manor School in 2007/08 which will not be required until 2008/09:

	£000
Expansion of primary places to meet requirements for places for reception year	200
Oliver Goldsmith - nursery hut replacement to meet DFES standards and provide additional space for extra pupils	105
Oliver Goldsmith underpinning – high structural risk identified	131
Salusbury School - roof renewal	105
Stonebridge School – health and safety works required to lift the school out of special measures	20
Total additional costs	**561**
Less: re-phasing of council contribution to Preston Manor expansion from 2007/08 to 2008/09	(561)
Net impact on 2007/08 programme	**0**

The revisions to the programme will mean that additional resources of £561k will need to be identified in 2008/09 to fund re-phased expenditure at Preston Manor. This will be done as part of the on-going review of the 2008/09 to 2010/11 capital programme. In addition to the council funds outlined above Oliver Goldsmith, Salusbury and Stonebridge schools will also be contributing £300k, £44k and £66k to the schemes respectively from school funds.

7.4 Members are also alerted to the following additional potential risks within the 2007/08 Capital Programme. These issues are being constantly monitored and managed within the service areas and by the Capital Board.

- Estate Access Corridor - There are a number of outstanding land claims relating to the Estate Access Corridor. There is provision for these carried forward from 2006/07 which is sufficient to meet what the council's professional advisers consider are reasonable claims but are not sufficient to meet the full value of the claims. The council is doing everything it can to settle these claims within the available budget but it may be outside the council's control if the claims go to Land Tribunals. Similar issues arise with regard to the Stadium Access Corridor but the professional advice is that these are likely to be settled within budget.
- John Kelly land - Provision of up to £5m has been made in the capital programme for purchase of land to allow the re-build and expansion of the schools under the Government's Building Schools for the Future programme. The council is in the process of negotiating a price with the freeholder while at the same time proceeding with preparations to issue a Compulsory Purchase Order.
- Children's centres – Funding for the development of seven further children's centres depends on the schemes being delivered before 31st March 2008. This is a substantial and complex programme and there are risks that the schemes will not be completed on time to qualify for capital grant or could be over-budget. This would have implications for capital programme resources which may have to fund expenditure. There is a cross –departmental officer group, chaired by the Director of Finance and Corporate Resources, which is monitoring delivery of this programme and regular reports have been brought to the Executive.
- Cost control - There are a number of large schemes in the programme – Wembley Manor re-build, Preston Manor expansion, the Avenue School – and numerous smaller schemes all of which could potentially overspend. Each individual scheme includes a contingency but there is no overall contingency for overspends. There are monitoring arrangements with each service area to ensure spending is kept within budget; the Capital Board, chaired by the Director of Finance and Corporate Resources, has an overall monitoring role and ensures action is taken where overspends occur. There are also regular reports to the Executive on progress on the overall programme.
- The continuing pressure on school places, the potential need for further structural works, and potential additional costs as a result of a dispute on a completed scheme may mean further revisions are needed to the schools capital programme, in addition to those listed in paragraph 7.3.

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 section 7 of this report.

10. Diversity Implications

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

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 "2007/2008 Budget and Council Tax" to the Council Meeting on 5th March 2007.

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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