

Meeting Of the Cabinet – 9th February 2011

Joint Report of the Chief Executive and Treasurer

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.
4. To propose the Council's Minimum Revenue Provision (MRP) Policy for 2011/12.

Background

5. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

Service	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Public Sector Housing	32,722	36,026	24,918
Other Adult, Community & Housing	5,960	5,227	2,869
Urban Environment	24,465	13,481	8,755
Children's Services	27,619	21,782	553
Corporate Resources	4,750	1,316	674
Chief Executive's	585	403	0
TOTAL	96,101	78,235	37,769

Note that the capital programme for future years is in particular subject to government grant decisions. There is a report on the proposed Public Sector Housing capital programme elsewhere on this agenda.

6. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2010/11 Programme are given in Appendix A. It is proposed that the current position be noted.

Adult, Community and Housing

Housing Assistance

7. Additional funding of £60,000 has been secured from the Kickstart Partnership. It is proposed that the extra funding be noted and added to the Housing Assistance capital budget.

Adult Social Care Grants

8. The Department of Health has recently announced the amalgamation of a number of former capital grants (including Mental Health, IT Infrastructure and Social Care Reform) into one grant for investment in Adult Social Care and Developing Community Capacity. Dudley has been allocated £820,000 for 2011/12 and £834,000 for 2012/13. It is expected that these resources will be used for initiatives such as the promotion of personalisation, alternatives to residential care, and to support service redesign. Detailed allocation to specific projects will be made through the Directorate's Capital and Property Steering Group.

It is proposed that the allocations be noted and the associated spend included in the Capital Programme.

Urban Environment

Local Transport 2011/12 – 2014/15

9. The Government has announced detailed grant allocations for Local Transport capital expenditure for 2011/12 and 2012/13, with indicative allocations for 2013/14 and 2014/15. These allocations are being made to the Integrated Transport Authority (ITA) to be distributed between the ITA and Districts following local agreement. It is currently anticipated that Dudley's allocations will be as set out below.

Maintenance

- Maintenance of local roads, highway structures and street lighting.

2011/12	£2,926,000
2012/13	£2,763,000
2013/14*	£2,595,000
2014/15*	£2,445,000

Integrated Transport

- Minor capital schemes designed to improve the safety and increase the capacity of the highway network and encourage sustainable modes of travel.

2011/12 £1,743,000
 2012/13 £1,859,000
 2013/14* £1,859,000
 2014/15* £2,603,000

*Based on indicative national allocations.

It is proposed that, subject to agreement at a West Midlands level, the above allocations be noted and the associated expenditure be included in the Capital Programme. Details of how this funding is proposed to be allocated to individual projects will be reported back to Cabinet in due course.

Gornal Wood Crematorium

10. The Revenue Budget report elsewhere on this agenda contains a specific new growth proposal which involves utilising the flexibilities now available under the “prudential borrowing” regime to fund the installation of mercury abatement equipment and new cremators at Gornal Wood Crematorium at an estimated cost of £1.25m.

It is proposed that subject to this element of the Revenue Budget Strategy being agreed, the above expenditure be included in the Capital Programme.

Section 106 funding for Urban Environment projects

11. The Council receives "Section 106" funding from developers, towards necessary green space, nature conservation, environmental protection and public realm improvements. It is proposed that any expenditure which can be funded from such resources be included in the Capital Programme as appropriate.

Children's Services

Main Grant Allocations 2011/12

12. The following grant funding has been allocated to the Council for Schools capital investment.

	£m
Devolved Capital. This will be allocated to projects by schools on the basis of their own priorities.	0.965
Capital Maintenance. This will be allocated on the basis of priorities with regard to health and safety issues, building	5.052

condition surveys and access needs.

Basic Need - New Pupil Places. This will be allocated to specific projects following appropriate consultation and evaluation of options.	1.208
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Total	7.225
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The Government has advised that allocations for 2012-13 to 2014-15 will be informed by the outcome of the Capital Review, which will be published in early 2011. While the allocations and management of these programmes may change to reflect the recommendations of the review, it is expected that the funding available for Basic Need and Capital Maintenance of schools will be roughly in line with the funding for 2011-12.

It is proposed that the allocations be noted, and the associated spend included in the Capital Programme.

Finance, ICT and Procurement

Corporate ICT Strategy

13. The Council has adopted a 5 year Corporate ICT Strategy running from 2008-13 as approved by the Select Committee for Regeneration, Culture and Adult Education to which an annual progress report is made. The aim of the current strategy is to support the Council in delivering its key objectives and to provide the technical infrastructure and ICT support services necessary to underpin the Council's extensive business operations and to enable the transformation of Council services. The Corporate ICT Strategy will be reviewed and updated in 2011/12 to embrace new technology, to set new strategic direction and to respond to the changing business requirements of the Council.

Implementing the strategy involves Capital expenditure, e.g. network enhancements; infrastructure upgrades; internet developments; desktop strategy; Geographical management Information Solutions (GMIS); Corporate Electronic Data Management (EDM). This expenditure is funded from annual revenue budgets contributions.

It is proposed that the Treasurer be authorised, in consultation with the Cabinet Member for Finance, to approve any Capital expenditure in furtherance of the current and future Corporate ICT Strategies, and amend the Capital Programme as appropriate.

Urgent Amendments to the Capital Programme

Corporate Electronic Document Management (EDM) Site Licence

14. The Council has a 10-year foundation of successful, broad deployment and exploitation of the Northgate Information Solutions Electronic Document Management (EDM) system delivering efficiency savings in accommodation /

staffing, and transforming a number of key services. Further investment in EDM would have significant benefits, which amongst other things would enable Business Transformation through review, streamlining and automation of current business processes. The investment also releases the potential for delivery of significant efficiency savings.

The total cost of £180,000 can be funded from the ICT Strategy budget, potentially supplemented by Regional Improvement and Efficiency Partnership (RIEP) funding which continues to be explored.

In order to take advantage of available discounts, a decision (ref. TRE/2/2010) was made by the Leader of the Council in consultation with the Treasurer on 24th November 2010:

- To contract with Northgate for a Corporate EDM Site Licence;
- To invest in the existing technical infrastructure supporting EDM;
- To include the above expenditure in the Capital Programme.

Gig Mill Primary School – Redevelopment of Swimming Pool

15. Although the existing swimming pool has proven to be a successful and a popular school feature, it is an under-utilised resource, open for only 3 months per year and currently used only by pupils at the school. A redeveloped swimming pool will be an excellent resource to the school, other local schools, the local community and local groups.

The total cost of £188,000 can be met from:

- Sport England - Community Investment Fund £70,000;
- Ibstock Cory Environmental Trust £70,000;
- Extended Schools funding £35,000;
- School Devolved Capital funding £13,000.

In order to comply with funding deadlines, a decision (ref. DCS/39/2010) was made by the Leader of the Council in consultation with the Treasurer, Cabinet Member for Integrated Children's Services, and Interim Director of Children's Services on 23rd November 2010 to include the project in the Capital Programme.

Emergency stabilisation works at Castle Mill Basin, Dudley Canal

16. On the 21st October 2010 (Decision Sheet DUE/53/2010) approval was given to include the above project in the Capital Programme at an estimated cost of £300,000.

Although the final detailed design and the outcome of financial cost negotiations are yet to be completed, the estimated cost has increased to £350,000 as a result of:

- Development of a design solution which meets both the complex technical and environmental constraints;
- The need to comply with stringent health and safety working procedures which meet both the HSE Mines Inspectorate and the Mine Managers requirements.

The additional costs can be met from the Council's anticipated future annual contributions to the Dudley Canal Tunnel Maintenance Fund. It is planned that onsite works will commence mid to late January 2011.

A decision (ref. DUE/001/2011/) was therefore made by the Leader of the Council in consultation with the Treasurer on 12th January 2011 that the budget for the project be increased to £350,000.

Brierley Hill Library - Shared Facilities (Housing Office and Citizen's Advice Bureau)

17. In an approach broadly similar to that currently provided for in Stourbridge Library it was proposed to undertake alterations to allow a housing service and the Citizens Advice Bureau to operate from within Brierley Hill Library. This High Street location will provide an improved service to customers who will be able to access a range of services either face to face or through the use of public access computers.

The £80,000 cost of the necessary alterations will be funded £60,000 from the Housing Revenue Account (HRA), with a contribution of £20,000 from the Citizen's Advice Bureau.

To minimise disruption to Library services, urgent inclusion in the Capital Programme was required to allow this work to be scheduled along with already planned improvements to disabled facilities and access.

A decision (ref. DACHS/001/2011/) was therefore made by the Leader of the Council and the Cabinet Member for Housing, Libraries and Adult Learning, in consultation with the Treasurer, and Assistant Director (Building Services) on 4th January 2011 that the project be added to the Capital Programme.

Post Completion Review of Capital Projects

18. The Post Completion Review required by Contract standing orders has now been undertaken for the following scheme, with a copy of the proforma summarising the review attached at Appendix B.

Adult, Community and Housing
Kingswinford Library

Urban Environment
Street Lighting Replacement Phase 2
Himley Road Retaining Wall, Lower Gornal

Leasowes Restoration

Children's Services

Play Pathfinder

The Dormston School – Personalised Learning Centre

It is proposed that this be noted.

The CIPFA Prudential Code for Capital Finance in Local Authorities

19. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
20. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C.

Minimum Revenue Provision (MRP) Policy Statement

21. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of borrowing incurred to fund Capital expenditure, in respect of that financial year.
22. In line with the current policy, it is proposed that the Council agrees the following MRP Policy for 2011/12 as follows:
 - For unsupported borrowing to fund capital expenditure incurred from 1st April 2008 onwards, MRP be calculated on the basis of equal instalments or annuity as appropriate over the initial estimated life of the assets - the “Asset Life” method. And in respect of “PFI” schemes and other Finance Leases etc., MRP be calculated on a basis equivalent to the principal element of the unitary/lease payments. This would also apply to such expenditure incurred before 1st April 2008 but only subsequently included on the Balance Sheet as a result of changes to accounting arrangements. *(This means that such borrowing and other credit arrangements will be repaid over the life of the assets for which it was incurred, matching the costs with the benefits received.)*
 - For all supported borrowing, and unsupported borrowing to fund capital expenditure incurred before 1st April 2008, MRP be calculated on the basis of the previous regulations - the “Regulatory Method”. *(This means that supported borrowing will mainly be repaid to match the support received from the Government as part of the Formula Grant calculation, and that unsupported borrowing will be repaid as was anticipated when it was incurred, avoiding any change to the net impact on annual revenue budgets.)*

Finance

23. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

24. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Equality Impact

25. These proposals comply with the Council's policy on Equality and Diversity.
26. With regard to Children and Young People:
- The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

27. That current progress with the 2010/11 Capital Programme, as set out in Appendix A be noted.
28. That the results of the Post Completion Review of capital projects, as set out in Appendix B be noted.
29. That the Council be recommended:
- That the extra Kickstart funding be noted and added to the Housing Assistance capital budget, as set out in paragraph 7.
 - That the Adult Social Care grant allocations be noted, and the associated spend included in the Capital Programme, as set out in paragraph 8.
 - That, subject to agreement at a West Midlands level, the Local Transport capital allocations be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 9.

- That subject to the relevant element of the Revenue Budget Strategy being agreed, the capital expenditure to be funded from prudential borrowing be included in the Capital Programme, as set out in paragraph 10.
- That any expenditure funding from developers' "Section 106", towards green space, nature conservation, environmental protection and public realm improvements be included in the Capital Programme as appropriate, as set out in paragraph 11.
- That the 2011/12 grant allocations for schools' capital projects be noted and the associated spend included in the Capital Programme, as set out in paragraph 12.
- That the Treasurer be authorised, in consultation with the Cabinet Member for Finance, to approve any Capital expenditure in furtherance of the current and future Corporate ICT Strategies, and amend the Capital Programme as appropriate, as set out in paragraph 13.
- That the Urgent Amendments to the Capital Programme, as set out in paragraphs 14-17 be noted.
- That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C, be agreed.
- That the Minimum Revenue Provision (MRP) Policy for 2011/12, and updated Policy for 2009/10, be as set out in paragraph 22.

John Polychronakis

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List of Background Papers

Relevant resource allocation notifications.
CIPFA Prudential Code for Capital Finance in Local Authorities.

Appendix A

2010/11 Capital Programme Progress to Date

Service	Budget £'000	Spend to 31st December £'000	Forecast £'000	Variance £'000	Reasons for Variance
Public Sector Housing	32,722	21,024	32,722		
Other Adult, Community & Housing	5,960	3,873	5,960		
Urban Environment	24,465	11,536	24,430	-35	See note
Children's Services	27,619	16,409	27,619		
Corporate Resources	4,750	3,656	4,750		
Chief Executive's	585	207	585		
TOTAL	96,101	56,705	96,066	-35	

Note: Underspend on Stepshaft Infilling project, as a result of reduced drilling costs, infill material volume and mine preparation works.

Post Completion Review of Capital Schemes

Title of Scheme: Kingswinford Library – Adult Learning Centre

(New build extension & refurbishment works)

Date of Cabinet approval: 11/ 06/ 2008

(i.e. inclusion in Capital Programme)

Original Budget (as first reported to Cabinet):..... £ 651,000**Planned Completion date: 14th August 2009****Outturn Cost (please indicate if still provisional):...£ 651,000****Actual completion date: 14th August 2009****Variation from Original Budget:.....£ 0****Delay: 0 months****Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Cabinet): n/a****Original Objectives of Scheme (please indicate when and to whom these were reported):**

As outlined in Decision sheet DACHS/009/2008 in February 2008 the objective of the scheme was to support the costs associated with the refurbishment or construction of the Kingswinford Library Hub Project which would:

- enable the extension and refurbishment of the existing, well-used building to encompass more space for stock, ICT and community activities; and to develop community partnership activity (building capacity and health and safety issues were preventing the further development and extension of services on offer);
- provide drop-in facilities at the community building along with self-issue facilities, public access computers, rotating stock and training within the premises.

Have these Objectives been met? (If "No" please provide explanation):

Yes. The building has been completed and there are now learning activities being carried out due to the additional space. These include regular job clubs, reading groups and rattle and rhyme sessions for young children and their carers as well as the provision of courses. The number of PCs at the site has also been increased by 15 which enables more residents to access the internet.

Signed by: Kate Millin..... (Assistant Director)

Date:..... 17.12.10

Title of Scheme: Street Lighting Replacement Phase 2
Date of Executive / Cabinet approval: various, including £1.2m approved on 13/02/ 2008 (i.e. inclusion in Capital Programme)
Original Budget (as first reported to Executive / Cabinet):..... £1,689,000 Planned Completion date: March 2010
Outturn Cost (please indicate if still provisional):.....£1,751,544 Actual completion date: July 2010
Variation from Original Budget: + £ 62,544 Delay: 4 months
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): <ol style="list-style-type: none"> 1. Cost variation: required changes in extent of works following reassessment during the progress of the works and the requirements of the Electricity Company (E-On Central Networks) 2. Delay in completion: programme affected by inclement weather in January/February 2010, roadworks at Burnt Tree Island and difficulties involving one of the contractors for the works
Original Objectives of Scheme (please indicate when and to whom these were reported): To replace the street lighting installations in various roads identified by risk assessment
Have these Objectives been met? (If "No" please provide explanation): Yes – objectives met in full.

Signed by: John Millar (Director)
2010

Date: 7th December

Title of Scheme: HIMLEY ROAD RETAINING WALL, LOWER GORNAL PILED SUPPORT, WALL STRENGTHENING AND NEW PARAPETS.
Date of Cabinet approval: Cabinet Report 13/02/08 – included in Transport Strategy and Settlement Proposed Capital Transport Programme and Road Safety Grant for 2008/09-2010/11. Capital Programme Decision 09/06 23/07/09.
Original Budget (as first reported to Cabinet):..... £190,000 Planned Completion date: 31/03/2010
Outturn Cost (please indicate if still provisional): Provisional £193,282 Actual completion date: 04/09/2009
Variation from Original Budget: £3,282 (1.7%) Delay: N/A
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Cabinet): Minimal variation in quantities –no variation reported to Cabinet
Original Objectives of Scheme (please indicate when and to whom these were reported): Provision of a new piled retaining wall to support the highway and meet the new EU loading standards and to maintain the existing substandard stone retaining wall by providing support and reducing the loading on it. Also to provide new standard vehicle and pedestrian safety fences.
Have these Objectives been met? (If "No" please provide explanation): Yes

Signed by: John Millar (Director)
2011

Date: 6th January

Title of Scheme: The Leasowes Restoration

Date of Cabinet approval: 28th October 1997 (Policy Committee)

Original Budget (as first reported to Cabinet): £1.310m

Planned Completion date – original bid April 2001. Renegotiated bid May 2005

Outturn Cost : £1.593m

Actual completion date: February 2009

Variation from Original Budget: £0.283m

Delay: 4 years

Reason for Cost Variation and / or Delay in Completion

Cost Variation

The cost increases have arisen for the reasons detailed below and have been funded as follows::

1. extra funding required to deliver a restoration to an acceptable quality and content (£265,000 Section 106 funding)
2. the inclusion of £18,000 additional Liveability funded enhancements to the park in the restoration contract as an expedient way of carrying out these works

Programme

This project has proven to be demanding in its delivery.

The original bid submitted to the Heritage Lottery Fund (HLF) for grant assistance by the Council in 1996 predicted a total capital cost of £1.31m, however as the project developed a number of unforeseen factors resulted in actual and projected time and cost overruns. The project was suspended by the HLF in August 2000 and the Council subsequently carried out a robust reassessment of the project costs and timescale, which proposed a reduced scheme to be delivered within the original project costs. Full HLF approval to the revised scheme was issued in March 2003.

As the detailed restoration proposals were prepared, a number of further delays were encountered as below;

- The need to prepare design solutions which are faithful to a protected 18th century landscape but which are also acceptable to 21st century engineering, flood risk, health and safety and accessibility standards, which pass the scrutiny of the Heritage Lottery Fund's restoration standards and take account of the site's rich

archaeological, ecological and cultural constraints.

- Given the at times limited evidence available upon which to base restoration proposals (there are no surviving historic plans or designs for the original landscape), the project team has had to react in number of instances to unforeseen discoveries of archive or archaeological evidence during the design process. In order to deliver a restoration based upon the best information available this has led to redesign of elements of the work
- the need to secure land drainage and impounding consents from the Environment Agency, which in spite of early advice that this could be expected to be secured in 3 to 4 months, took 18 months to secure
- a delay of 12 months due to the preferred tenderer for the main contract taking on additional work between submitting their tender and confirmation that the work could commence

Original Objectives of Scheme

The objectives of the restoration were set out in the Project Mandate as follows;

1. A faithful recreation of the Leasowes at Beechwater Dam, Virgil's Grove and Leasowes Lane dam, but which takes account of current requirements for health and safety, equality of access and maintenance.
With the exception of Leasowes Lane Dam, which was omitted from the final proposals, this has been achieved
2. A restoration which is both accurate in its content but which takes account of issues of durability, cost effectiveness and health and safety.
This has been achieved
3. A restoration which takes account of views of stakeholders
This has been achieved
4. Completion within timescales acceptable to the HLF and Dudley MBC
This has not been achieved given the issues referred to above
5. Completion to a standard acceptable to a wide range of project stakeholders
This has been achieved, and despite the cost and time increases, has been very well received by stakeholders and visitors
6. Completion within capital budget of £1.31m.
This has not been achieved given the issues referred to above
7. Restoration in compliance with Dudley MBC Standing Orders and Grant Contract between Dudley MBC and Heritage Lottery Fund
This has been achieved, as evidenced by a number of project audits none of which made any recommendations

Have these Objectives been met?

In part, as set out above

Signed by: John Millar (Director)
2011

Date: 12th January

Title of Scheme: DCSF Play Pathfinder

Date of Cabinet approval: 10/09/2008

(Approval to the inclusion of the Play Pathfinder grant allocation in the Capital Programme)

Original Budget (as first reported to Cabinet): £2.12m

Planned Completion date: 31st March 2010

Outturn Cost (please indicate if still provisional): £2.59m

Actual completion date: 28th May 2010

Variation from Original Budget: £0.45m (additional funding secured)

Delay: 2 months

Reason for Cost Variation and / or Delay in Completion

Cost Variation

It was anticipated at the start of the scheme that additional external funding, either through grant sources or Section 106 receipts, were likely to be secured during the life of this project and that in the event of this happening it would be possible, in consultation with stakeholder groups, to extend the scope of the improvements.

Additional funding has become available, adding extra value to the scheme, and has been reported to Cabinet as follows:

- DCSF additional funding - Sycamore Adventure Centre.
- Primary Care Trust - Sycamore Adventure Centre.
- Section 106 - Year 1 Play Areas (Abbey St. Play Area; Churchward Close and Bredon Road Play Area; Greenfield Gardens Play Area.)
- Section 106 - Year 2 Play Areas (Heathbrook Farm Play Area; Wall Heath Play Area; Spring Meadow Play Area; Kinver Street Play Area)
- Tenants and Residents Association – Tan House Lane.
- The Friends of Homer Hill Park - Homer Hill play area.
- Halesowen Area Committee – Hope Street.
- Childrens' Services – Sycamore Adventure Centre.
- Childrens' Services Early Years Funding - Sycamore Adventure centre.
- DCSF Revenue - Sycamore Adventure Centre.
- Short Breaks Funding - Sycamore Adventure Centre.

- Closed Schools devolved capital budget – Sycamore Adventure Centre.

The availability of additional funding has allowed additions to be made to the scope of the works in accordance with the aspirations of the various funding organisations.

Programme

This project has been delivered through a number of works contracts.

Despite very tight timescales, all of the Year 1 and 2 play areas were delivered within the planned completion dates.

Due to the success of securing a large amount of additional funding for Sycamore Adventure Centre, it was agreed with Play England that it would be acceptable for the completion date of the Centre to be extended to the end of May 2010. All DCSF money was expended by June 2010 thus achieving the grant requirements.

Original Objectives of Scheme

The original objectives of the scheme were set out in the Project Plan dated 30 July 2008. These were reported to the Dudley Play Partnership prior to submission of a funding bid to the Department for Children, Schools and Families (DCSF). The original objectives were as follows:

- To transform the play opportunities for a large number of children and young people across Dudley particularly between the ages of 8 to 13.
- To develop a new Children's Adventure Playground in the north of the borough to provide a centre of excellence where a wide range of play opportunities can be delivered for all children including those with profound and complex needs.
- To create or refurbish at least 28 children's play areas in public parks and open spaces.
- To establish a new borough wide Play Service based in the new Sycamore Green Children's Adventure Playground, as part of the Children's Trust.

These were to be delivered by the implementation of work through contracts, as follows:

- The creation or refurbishment of 28 Children's play areas in parks and open spaces.
- The building of a new indoor and outdoor Children's Adventure Playground at Sycamore Green Primary School in the north of the borough.

Have these Objectives been met?

Yes, and enhanced by the success of attracting additional external funding

Signed by: Jane Porter (Interim Director)
2011

Date: 5th January

Title of Scheme: The Dormston School – Personalised Learning Centre	
Date of Executive / Cabinet approval: 12th February 2007 (i.e. inclusion in Capital Programme)	
Original Budget (as first reported to Executive / Cabinet):..... £ 450,000 (excluding fees, furniture and equipment).	
Planned Completion date:	29 September 2008
Outturn Cost (please indicate if still provisional):.....£ 843,205 Actual completion date: 17 October 2008	
Variation from Original Budget	£ 393,205
Delay: 2 weeks	
Reason for Cost Variation and / or Delay in Completion (please indicate if any variation has previously been reported to Executive / Cabinet): Costs for furniture and equipment were not identified to be included as part of this contract at the time the project was originally reported, the school then decided to add these into the main project. The school also added major works to refurbish two science laboratories. The delay in the completion date was due to the additional works included within the programme.	
Original Objectives of Scheme (please indicate when and to whom these were reported): The School were awarded Specialist School Status by the DfES in Maths and Computing and intended to construct a Personalised Learning Centre that would house a new library and ICT facility along with associated ancillary areas. The project would enable the School to deliver an enhanced curriculum and meet the DfES requirements for Specialist School Status. The project would allow the promotion of the use of independent learning at the School, and allow the new facilities to be available to the wider community to deliver an adult education	
Have these Objectives been met? (If "No" please provide explanation): The project objectives have been met. The new building is of the appropriate size and fit for purpose. The classrooms are watertight and weatherproof and the school has seen a great improvement in the internal environment since the project has been completed. The school has maintained its specialist status.	

Signed by: Jane Porter..... (Interim Director)

Date: 15th January 2011

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* ("the Code"), which is required to be complied with as "proper practice" by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council's capital expenditure and borrowing plans in the light of resource constraints. The remaining indicators (6-7) are primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council's overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council's budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council's Capital Strategy and Corporate Property Policy, and in Directorate Asset Management Plans.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2010/11, 2011/12 and 2012/13 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

We are still evaluating the impact of the new "International Financial Reporting Standards" (IFRS) which will bring Finance Leases and similar arrangements onto the Balance Sheet from 2010/11. The indicators below reflect initial estimates of the impact of these changes; they may therefore need to be amended as necessary in due course once the impact of the changes is finalised.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed (together with those relating to public sector housing capital expenditure contained in the relevant report elsewhere on the agenda) the proposed indicators are as follows.

	2009/10 £m Actual	2010/11 £m Revised Estimate	2011/12 £m Revised Estimate	2012/13 £m Revised Estimate	2013/14 £m Estimate
Non - HRA	55.3	63.4	53.9	18.0	16.6
HRA	35.8	34.9	38.4	-	-
Total	91.1	98.3	92.3	18.0	16.6

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2009/10 £m Actual	2010/11 £m Revised Estimate	2011/12 £m Revised Estimate	2012/13 £m Revised Estimate	2013/14 £m Estimate
Non - HRA	342.3	362.3	363.1	354.1	340.8
HRA	83.5	107.4	125.6	125.6	125.6
Total	425.8	469.7	488.7	479.9	466.4

3. Net Borrowing and the Capital Financing Requirement.

In order to ensure that in the medium term, borrowing can be undertaken only for capital purposes, this indicator requires that net external borrowing does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2010/11 to 2013/14.

4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The current proposals to undertake new unsupported “prudential borrowing” to fund capital investment are set out in paragraph 10 of this report, and in the Public Sector Housing report elsewhere on this Agenda. The forecast debt charges resulting from anticipated borrowing are fully reflected in the figures set out in the Budget Strategy report elsewhere on this agenda, and in the aforementioned Public Sector Housing report. The impact on Council Tax and Rents of these proposals is as follows.

	2011/12	2012/13	2013/14
	£	£	£
Increase in Annual Band D Council Tax	-	-	1.22
Increase in Weekly Housing Rent	0.25	0.30	0.30

Note that to the extent that General Fund revenue budgets are limited by overall resource availability and that the Council continues to comply with rent restructuring guidance, the effective impact of increased borrowing is to require other expenditure to be constrained, rather than to directly increase Council Tax or rents.

5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2009/10	2010/11	2011/12	2012/13	2013/14
	%	%	%	%	%
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	9.3	9.9	12.5	13.1	12.9

6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per. section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

	2009/10	2010/11	2011/12	2012/13	2013/14
		Revised	Revised	Revised	
	£m	£m	£m	£m	£m
Authorised limit for external debt:					
Borrowing	n/a	666	689	675	656
Other long term liabilities	n/a	44	47	50	52
Total	n/a	710	736	725	708
Operational boundary:					
Borrowing	n/a	476	587	590	583
other long term liabilities	n/a	44	47	50	52
Total	n/a	520	634	640	635
Actual External Debt:					
Borrowing	427.3	n/a	n/a	n/a	n/a
Other long term liabilities	31.1	n/a	n/a	n/a	n/a
Total	458.4	n/a	n/a	n/a	n/a

7. Adoption of the CIPFA *Code of Practice for Treasury Management in the Public Services*

This indicator is a fundamental requirement of the system in so far as it relates to treasury management activity. The Council adopted the latest version of the Code of Practice in February 2010.