

3. **2008-09 CAPITAL POSITION**

- 3.1 As previously reported, a review of the whole capital programme has been required to address the funding shortfall arising as a result of the current economic situation and the impact this has had on property prices and our ability to raise capital receipts. The funding of the original 2008-11 capital programme was reliant upon £186.802m of capital receipts, but this level of receipts is no longer realisable in the short term.
- 3.2 This collapse in capital receipts realised could have resulted in a major downsizing of our capital programme. However, the recent approval of PEF2 means that we have a much more manageable situation. The consequence of PEF2 is that we have been able to keep £85m of capital projects in the programme that would otherwise have had to be cut due to lack of funding. Whilst there are some projects re-phased or removed, we still have a very ambitious modernisation, innovation and improvement programme that is in excess of £1bn over the next three years.
- 3.3 The current economic situation has also given rise to a supplementary inflationary cost, of an average of £6m per year of the MTP, as a result of the increase in building tender price inflation since the budget was set and a pressure on the highways maintenance budget in the current year of £2.4m, all of which needs to be absorbed by reducing budgets elsewhere. It is proposed that the inflationary impact on the highways maintenance budget in 2009-10 and 2010-11 of £2.9m and £3m respectively is addressed through the 2009-12 MTP process.
- 3.4 The review of the whole capital programme is continuing, but in the meantime, in order to reflect the outcomes reached from the review so far, it is recommended that we:
- Continue to dispose of assets for which negotiations are already at an advanced stage and/or the sale proceeds are not substantially reduced from the value assumed in the MTP.
 - Defer a range of capital projects to later years but within the 5 year MTP period (details provided in table 1)
 - Remove, defer beyond the 5 year MTP timeframe, or find alternative funding sources, a range of capital projects (details provided in table 2)

In addition, there has been an increase to the programme since the 2008-11 capital programme was set, which is mainly the result of the roll forward of the re-phasing from 2007-08, as well as additional approvals made via PAG and the Leader and additional external funding streams.

The resulting revised capital cash limits are provided at table 3, which Cabinet is asked to approve. This incorporates all of the changes shown in tables 1 and 2 and the roll forward from 2007-08 and other adjustments. If approved, these revised portfolio capital cash limits will be used as the basis for the next monitoring report, but it is likely that there will be further recommendations for changes to the programme in the next report(s), once the review of the whole capital programme is completed.

The revised budget book pages for each portfolio will be available on KNet on 8 October, on the assumption that all of these changes are approved.

TABLE 1

CAPITAL PROJECTS DEFERRED BUT WITHIN THE 5 YEAR MTP PERIOD

	Later Years					2013-14 £'000
	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000	
<u>KASS</u> Rephasing of programme	-3,215	-7,577	7,895	2,265	632	

TABLE 2

**PROJECTS REMOVED, DEFERRED BEYOND THE 5 YEAR MTP TIMEFRAME,
OR REQUIRING ALTERNATIVE FUNDING**

<u>Projects Deleted or Reduced:</u>	Later Years					Total £'000	2013-14 £'000
	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000		
<u>KASS</u> Modernisation of Adult In House Services			-430				
	0	0	-430	0	0	-430	

TABLE 3

REVISED CAPITAL CASH LIMITS**PROPOSED REVISED CASH LIMITS**

	2008-09 £'000	2009-10 £'000	2010-11 £'000	Later Years £'000
<u>KASS</u> Total per Budget Book	60,587	29,442	27,071	26,670
Projects deferred within 5 year MTP (Table 1)	-3,215	-7,577	7,895	2,897
Projects Deleted, Rephased to 2013-14 or Alternative Funding Required (Table 2)	0	0	-430	0
Roll Forwards from 2007-08 and other adjustments	-556	599	414	0
REVISED CASH LIMITS	56,816	22,464	34,950	29,567