9.0 **CAPITAL PLAN**

Overview

9.1 The Capital Plan is a detailed 3 year programme that sits at the front end of the longer term 10 year Capital Forecast which was developed as part of the County Council's MTFS. The paragraphs that follow seek to update this Capital Plan in the light of policy and operational developments, recently notified Education capital approvals from 2008/09 and also add a further year (2010/11).

9.2 The supporting information for this section of the report is contained in **Annex D** which consists of several appendices that are referred to in the text.

9.3 A detailed Capital Plan at individual scheme/project level is not attached to this report but is available on request. A summary of each Directorate's Plan however analysed into the main areas of capital spending is attached as **Appendices A to D** .

9.4 This updated Capital Plan for Q2 2007/08 is based on the Q1 version approved by Executive on 21 August 2007 but incorporates the following:

- the addition of a further year (2010/11) to the Capital Plan based on the pre existing 10 year Forecast approved in February 2004 as adjusted for agreed subsequent refinements
- additions or variations to schemes that are self funded (ie through grants, contributions, revenue contributions and earmarked capital receipts). This includes Education Capital approvals for the years 2008/09 to 2010/11
- variations in spend profile and/or allocations received in relation to schemes funded by specific supported borrowing approvals from the Government (including Education Capital approvals for the years 2008/09 to 2010/11)
- identified re-phasing of expenditure between years
- virements between schemes resulting from variations in scheme costs (eg arising from a tender process) and ongoing, re-assessment between priorities within a Directorate's finite control total
- additional capital schemes approved by the Corporate Asset Group (CAG) and Executive for inclusion in the Plan
- various other miscellaneous refinements

9.5 An overall summary of the plan at Directorate level together with changes compared with the last version (Q1 2007/08) approved by Executive on 21 August 2007 is attached as **Appendix E**.

Latest Position

9.6 A summary of the latest Capital Plan position at Directorate level is as follows (gross spend)

Directorate	Appendix	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Adult and Community Services	**A**	3.3	9.7	6.7	8.5
Business and Environmental Services	**B**	59.1	46.1	40.2	31.0
Children and Young People's Service	**C**	39.5	45.1	44.9	42.0
Other County Services	**D**	10.6	4.6	1.8	1.4
Total		112.5	105.5	93.6	82.9

9.7 The table above indicates a planned gross capital spend of £112.5m in 2007/08, £105.5m in 2008/09, £93.6m in 2009/10 and £82.9m in 2010/11 but as previously reported these totals do include a number of significant individual schemes and provisions as follows

Directorate/scheme	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Children and Young People's Service				
Modernisation programme block provision	2.1	1.9	8.1	8.9
Children's Centres	3.9	6.8	2.6	1.5
Building Schools for the Future	6.0	12.2	12.2	-
Devolved Capital funding to schools	9.2	7.4	6.9	12.0
School Self Help schemes	5.0	4.9	2.5	2.5
Targeted Capital Fund	-	-	0.3	4.0
ICT Targeted Capital Fund	-	1.7	4.4	3.9
BES				
Highways LTP	28.1	28.6	26.9	27.6
Depots Rationalisation Programme	5.2	7.7		
Scarborough Integrated Transport	18.5	7.1	0.1	1.4
Waste Strategy		0.4	10.9	
Adult and Community Services				
Our Future Lives Schemes	1.2	5.6	5.1	8.1
Other County Services				
Loans to Limited Companies	2.4	2.0		
	81.6	86.3	80.0	69.9
All other schemes and provisions	30.9	19.2	13.6	13.0
Total	112.5	105.5	93.6	82.9

It is clear from this analysis that a few individual schemes and provisions make up about 80% of the total planned capital spend in each year; any slippage or delays in these individual schemes will therefore have a significant consequential impact on financing requirements etc.

9.8 Following the tables in **paragraphs 9.6 and 9.7**, a summary of the changes reflected in the latest Capital Plan compared with that approved on 21 August 2007 is as follows:-

Item	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	later years £m
Capital Plan approved by Executive on 21 August 2007	114.9	98.2	85.3	0.0	30.5
Variations in schemes funded from Supported Borrowing approvals					
Highways LTP (**paragraph 9.16(v)**)			0.1	19.2	
Education Capital approvals (**paragraph 9.16(vi)**)		4.3	1.7	5.0	
Variations in schemes funded from Prudential Borrowing					
Waste Procurement Project (**paragraph 9.16(ii)**)	-2.6	-4.8	-3.3		
Depots Rationalisation (**paragraph 9.16(i)**)	0.7	2.4			
Loans to Companies (**paragraph 9.16(viii)**)		-3.0			
Purchase of plant and equipment (addition of 2010/11)				0.8	
Schemes for 2010/11 from the extended 10 year Capital Forecast (see **Appendix F**)				4.1	
Other	-0.1				
Variations in schemes self funded from grants, contributions and revenue					
Education capital approvals		4.2	16.0	39.3	
Highways LTP		0.1	0.7	8.4	
Other	4.6	3.8		3.8	6.9
Variations funded from earmarked capital receipts					
Depots programme		1.0			
Rephasing of Expenditure between years					
self funded	-1.4	-2.1	-6.1	-4.5	14.1
from borrowing and capital receipts	-3.9	1.4	-0.8	6.8	-3.5
other variations	0.3				
= updated Capital Plan	112.5	105.5	93.6	82.9	48.0

9.9 The table in **paragraph 9.8** above indicates that for the Q2 Capital Plan update there has been a re-phasing of £5.3m from 2007/08 to subsequent years. Of this sum £1.4m is self funded from grants and contributions and £3.9m funded from a combination of capital receipts and borrowing.

The areas of rephasing making up the £5.3m total are:

	£m
Schools Access initiative (CYP)	0.6
Childrens Centres capital (NYCC funding) (CYP)	1.1
Waste Disposal Service (**paragraph 9.16 (iv)**)	0.7
Scarborough Integrated Transport (**paragraph 9.16(iii)**)	0.7
Rephasing of various other schemes (balance)	2.2
	5.3

The rephasing figures shown for 2008/09 and subsequent years reflect two other significant factors. Firstly, a provisional phasing of spending between years of the recently announced Education capital approvals for the three years 2008/09 to 2010/11 (**paragraph 9.16(vi)**)). Secondly the addition of a new year (2010/11) to the Capital Plan (**paragraphs 9.10 to 9.13**) has resulted in expenditure already included in the Q1 Capital Plan within the later years total, being phased into 2010/11.

Addition of 2010/11

9.10 As part of the 2008/09 Budget process and updating of the MTFS a further year 2010/11 has now been added to the detailed Capital Plan. An additional year has been added at this stage because this Q2 Capital Plan update will form the starting point for a Capital Plan and Prudential Indicators to be approved by Executive (and subsequently County Council) as part of the 2008/09 Budget/MTFS process. The next Q3 Capital Plan update would be too late to be used for this purpose.

9.11 This additional year shows a gross capital spend of £82.9m with a breakdown into Directorates shown in the table in **paragraph 9.6** above.

9.12 An analysis of this £82.9m into major schemes and provisions and how they are financed is attached as **Appendices F and G**.

9.13 It should be noted that the addition of 2010/11 to the detailed Capital Plan at this stage does not preclude further refinements as part of the 2008/09 Budget and MTFS process. No new schemes and provisions are reflected in this additional year with items only being included on the basis of:

- schemes and provisions for 2009/10 approved by Executive in February 2004 as part of the extended 10 year Capital Forecast
- being self financed from capital grants, contributions and revenue contributions
- being financed from estimated Supported Borrowing approvals for 2010/11
- capital expenditure has previously slipped from the years up to 2009/10 and was shown in the Capital Plan as 'later years'. A proportion of this has now been phased into 2010/11 with the rest remaining as 'later years' spending.

Future refinement to Provisions after 2007/08

9.14 A number of annual Capital Provisions are based on approvals from Government departments which are funded from a combination of supported borrowing approvals and capital grants. Firm allocations have been received for 2007/08 and Education Capital allocations for 2008/09 to 2010/11 have also recently been received (see **paragraph 9.16(vi)**).

9.15 Updated allocations for the three years 2008/09 to 2010/11 in other areas (eg Highways, LTP) are however expected as part of this year's Local Government Finance Settlement in December 2007 and the Capital Plan will be updated on the receipt of new figures. This year's Local Government Finance settlement is expected to see the first proper 'three year settlement' to tie in with the period covered by the recently announced 2007 Comprehensive Spending Review.

9.16 **Comments on significant projects and variations reflected in the updated Capital Plan**

Business and Environmental Services

(i) **Highways Depots Rationalisation Programme**

The Executive considered a report on 16 October 2007 which set out the position of the Programme at that time. The Q2 Capital Plan has therefore now been updated to reflect the position set out in that report in terms of total cost, profile and financing as follows:-

Item	Q1 £000	Q2 £000	difference £000
Projected Costs			
to 31/03/07	3,551	3,551	-
2007/08	4,527	5,241	+714
2008/09	4,310	7,677	+3,367
total	12,388	16,469	+4,081
Financed from			
Capital Receipts	11,394	12,404	+1,010
NYCC Easingwold top up	250	250 12,654	-
Balance from Prudential Borrowing	744	3,815	+3,071
total	12,388	16,469	+4,081

As previously reported, the total estimated cost of the programme has increased by £4,081k funded from an increased value of capital receipts of £1,010k with the resulting increased net shortfall of £3,071k being funded from Prudential Borrowing.

Key issues raised in the 16 October report as approved by Executive are as follows:

- the overall latest net funding shortfall to be financed from Prudential Borrowing is now £3.8m
- the Executive approved a ten year pay back period in relation to the net borrowing costs of £3.8m (approximately £0.5m per annum principal and interest). These costs are to be funded by BES from salt savings, etc, resulting from the rationalisation programme
- capital receipts are estimated to be in the range of £11.7m to £13.7m and a working assumption of £12.7m has been made at this stage
- if capital receipts are less than £12.7m and it is not possible to absorb this loss in the approved Programme costs it would then be necessary to seek further approval for additional Prudential Borrowing

Whilst full commitment is in place to keep within the current net cost of this project, the profile of expenditure is subject to variation given the nature of the programme although specific instructions have been issued to our consultants that build costs are not to be exceeded; specifications will be reduced if necessary to ensure no further increase in costs. Future quarterly updates will advise as to any movement on the expenditure profile.

(ii) **Waste Procurement Project**

Capital Plan provision for this significant project was made in Q1 following a report on the Waste Management PFI (Sites and Planning Strategy and procurement of front end services) which was submitted to Executive on 22 May 2007.

The Q1 report also mentioned that the costs as included in the May 2007 report would be reviewed and an update for the Q2 Capital Plan provision is set out below.

As explained in the Q1 report, the County Council is securing land options for potential residual waste facilities and for front end infrastructure including a materials recovery facility and transfer stations throughout the County. The City of York Council is also making a contribution of 25% towards the cost of any sites for residual waste facilities. It may be that the County Council secures options on sites but does then need to take up such options as PFI bidders indicate that they have sites available which they would prefer to develop.

Significant progress has been made in relation to sites since the previous report and the table below represents a significant reduction in estimated capital funding required for the project, compared with provision in the Q1 report as follows:

Item	2007/08	2008/09	2009/10	2010/11	Total
Capital **Q1 Plan** Residual Waste Treatment Front end infrastructure City of York contribution	**£000** 498 2,244 -125	**£000** 6,875 - -1,719	**£000** - 14,150 -	**£000** - - -	**£000** 7,373 16,394 -1,844
= balance from Prudential Borrowing	**2,617**	**5,156**	**14,150**	**-**	**21,923**
Q2 Plan update Residual Waste Treatment Front end infrastructure City of York contribution	 - - -	 - 400 -	 - 10,887 -	 - - -	 - 11,287 -
= balance from Prudential Borrowing	**-**	**400**	**10,887**	**-**	**11,887**
Reduced Capital provision/ Prudential Borrowing	**-2,617**	**-4,756**	**-3,263**	**-**	**-10,636**
Leases (Revenue) Q2 Residual Waste Treatment Front end infrastructure City of York contribution	 - - -	 - - -	 75 249 -19	 239 317 -60	
Net NYCC	-	-	305	496	

It should be noted, however, that this reduction of £10.6m in forecast capital expenditure is predominantly due to:-

- landowners agreeing to leases on sites rather than outright capital purchase. The lease is treated as revenue expenditure which will have to be funded through the revenue budget for the Waste PFI “in lieu” of the revenue charges arising from Prudential Borrowing
- the number of transfer stations being procured, either through lease or outright capital purchase, is reduced by 3. This is principally due to existing infrastructure in parts of the county
- the programme for front end infrastructure has been revised in order to ensure better fit with the PFI Project for residual waste facilities and the potential interim solution which is currently under procurement. This revised programme will not have any impact upon the timing of the PFI Project for residual waste facilities.

It is important that capital funding remains available in the event that other sites are identified as suitable for the PFI Project. Any sites secured on an options basis will only be exercised in the event of a successful planning outcome. It is therefore unlikely that all options will be exercised, thereby reducing further the overall capital cost and subsequent prudential borrowing/lease costs of the sites.

The Revenue Budget for 2007/08 and the Medium Term Financial Strategy for 2008/09 to 2010/11 will include revenue provision to meet the lease costs and any associated prudential borrowing costs. This Budget provision will be revised accordingly as more up to date site information is gathered. A further update will be provided in Quarter 3.

(iii) **Scarborough Integrated Transport (SITS) and Reighton Bypass Major Schemes**

The updated Q2 Capital Plan reflects the latest expenditure forecasts and profile for these schemes as follows:-

item	SITS	Reighton Bypass
	£000	£000
Expenditure to 31 March 2007 2007/08 2008/09 2009/10 2010/11	3,485 18,541 7,107 50 1,353	4,217 2,661 55
gross expenditure	30,536	6,933
Funded from Grant County Council (presently LTP) Supported Borrowing approval	 29,786 750 -	 4,334 383 2,216
total funding	30,536	6,933

The SITS scheme is scheduled to complete in summer 2008. Gross expenditure has slipped from 2007/08 by a further £678k since the Q1 update; however, this does not impact on the completion date previously reported. At this stage the scheme is expected to be achieved within budget.

An overspend of £383k, (as at 15 October), is expected on the Reighton Bypass scheme (from £6,550k to £6,933k). This represents compensation events agreed with the works contractor. The overspend of £383k is to be funded from the Local Transport Plan.

(iv) **Waste Disposal Service**

As reported at Q1 update, the waste disposal service programme is under review. Options have been produced and are actively being reviewed in preparation for submitting a report as soon as possible for consideration by the Executive.

Slippage on the programme recorded in the Q2 update (£720k from 2007/08 to 2008/09) reflects the latest expenditure estimates on the schemes already underway.

(v) **Local Transport Plan (LTP)**

The Department for Transport (DfT) are consulting on future years allocations for the Local Transport Paln.

The Q2 Capital Plan has been amended to reflect the latest expected future allocations, both in terms of gross expenditure and the split between direct grant and supported Borrowing approvals.

Allocations and funding splits will be confirmed as part of the LTP Settlement expected in early December 2007. Further information will therefore be provided in the Q3 update.

Based on the above updated Q3 Capital Plan provision is as follows:-

item	2007/08 Allocation	2008/09 Forecast	2009/10 Forecast	2010/11 Forecast
	£000	£000	£000	£000
Integrated Transport Block allocation	9,025	8,792	8,650	8,471
Maintenance	17,218	17,614	18,241	19,153
total	26,243	26,406	26,891	27,624
Financed from				
Supported Borrowing approval	21,635	18,214	18,718	19,220
Capital Grant	4,608	8,192	8,173	8,404
total	26,243	26,406	26,891	27,624

Children and Young People's Service

(vi) **Education Capital Approvals 2008/09 to 2010/11**

The Q2 Capital Plan has been updated to reflect Education capital allocations for the years 2008/09 to 2010/11 which have recently been announced by the DCSF. The Q1 Capital Plan included previously notified allocations for 2007/08 but the figures for 2008/09 and 2009/10 were only provisional estimates with no figures being included for 2010/11.

Updated Capital Plan provision is therefore as follows:-

funding approval	2007/08 As previously notified	2008/09 (Oct 2007)	2009/10 (Oct 2007)	2010/11 (Oct 2007)
	£000	£000	£000	£000
100% Capital Grant				
Devolved Capital	12,445	12,030	11,981	11,981
Extended Schools		1,010	1,070	553
ICT harnessing technology	5,042+	4,719	4,374	3,895
Targeted Capital Fund			2,000	6,000
Childrens Centres Phase 3	4,114*	983	2,621	1,511
Primary Capital Programme			4,794	7,172
sub total	21,601	18,742	26,840	31,112
100% Borrowing approval				
Basic need – new pupil places	1,863	2,993	2,993	2,993
School access initiative	1,050	1,194	1,194	1,194
sub total	2,913	4,187	4,187	4,187
Mix of grant/borrowing approval				
Primary Modernisation				
- grant	1,020		1,734	3,887
- borrowing approval	2,379	4,092	2,732	447
Secondary Modernisation				
- grant	1,113		1,918	4,299
- borrowing approval	2,596	3,700	2,470	404
sub total	7,108	7,792	8,854	9,037
	31,622	**30,721**	**39,881**	**44,336**
Summary				
Capital grant	23,734	18,742	30,492	39,298
Borrowing approvals	7,888	11,979	9,389	5,038
	31,622	**30,721**	**39,881**	**44,336**

+ includes £1,273k matching funding provided by the County Council

* 50% of 2 year allocation for Children's Centres Phase 2

At this stage the DCSF announcement has provided only the total allocations with no details regarding policy priorities, the 'rules' for the use of the funds etc. These details will not be known until later in the year, perhaps even delayed for some allocations to 2008. Some details are known from the publication of the DCSF 'responses' to a consultation exercise. CYPS is developing its spending plans in advance of the outstanding announcements with the aim of submitting detailed proposals for approval in February 2008.

In relation to Schools Developed Capital there are some changes to reduce the allocations for modernised schools but otherwise it seems that schools will receive allocations at similar levels to the current year.

The approvals shown in the table above have been reflected in the Capital Plan based on a very initial provisional profile of programme spending in each year bearing in mind that at this stage no decisions on the schemes to be funded from these allocations have been taken.
These latest allocations reflect a change of funding source on the Modernisation programme allocations as follows:-

year	grant		borrowing approval		total
	£000	%	£000	%	£000
2007/08	2,133	30	4,975	70	7,108
2008/09	-	-	7,792	100	7,792
2009/10	3,652	41	5,202	59	8,854
2010/11	8,186	91	851	9	9,037

At this stage the reasons for the different percentage split each year (borrowing approvals are 70%, 100%, 59% and 9% over the four year period) are not known.

An implication of these funding allocations is that approximately £4m (from £7.9m to £12m) of additional borrowing will be required in 2008/09 to support the Supported Borrowing approvals with consequential loan charges impacting on the MTFS. Revenue Support Grant calculations will reflect these borrowing approvals but if severe 'grant damping' continues as in previous years, then the ultimate additional grant received is likely to fall well short of the extra loan charges incurred.

Adult and Community Services

(vii) **Harrogate Library – Outcome of Big Lottery bid**

Earlier in the year the Executive agreed to the submission of a bid for Big Lottery funding for a scheme to remodel Harrogate Library to provide improved services. In terms of the Lottery bid, this was based on redefining the way that Library Services are delivered in Harrogate to meet local needs. The intention has been, by working closely with the local voluntary and community sectors, to develop and deliver services such as health promotion, adult learning, intergenerational work and volunteering opportunities for which there is a known demand. The aim of the scheme is to create an innovative new library space that will be attractive to all sectors of the community, particularly older people, which will redefine the internal space of the facility. The bid recognised that the scheme will also offer a one stop shop for council and other agency services which will be met out of the County Council's contribution to the overall funding of the scheme.

At the time the bid needed to be submitted, some preliminary feasibility work had been carried out on how the library space might be remodelled. There were a range of issues about the suitability and deliverability of that scheme, but it provided the basic cost framework of £3.1m, for works costs and fees, but excluding the costs of shelving and other fitting out. This cost envelope has been used in the feasibility work that has continued during the summer.

In terms of the service outcomes being sought, the Big Lottery has been able to grant the maximum grant available under this scheme for Community Libraries (ie £1.5m). To confirm the availability of that grant a detailed business case will need to be submitted by April 2008.

At this stage detailed work needs to be completed on the new feasibility scheme. Two important issues remain to be finalised. The first is that there are certain structural issues inherent in the current library that need to be resolved before the practicality of a final design can be confirmed. The second is the acceptability of design options, bearing in mind that the library is a Grade 2 listed building. At this point, however, it appears that the scheme is practical within the previous cost envelope of £3.1m for works and professional fees.

The estimated cost of the specialist library furniture and fitting is £300k.

Consideration is being given to the business case for a large scale use of Radio Frequency identification (RFID) technology, which allows scope for customer self service and improvement of stock management. Investment in this technology, which would cost £160k at today's prices, would open up the possibility of revenue savings.

The feasibility work has looked carefully at whether there is any possibility of maintaining a reduced level of service within the building during the works period. This will not be possible, and so decisions will be required on how appropriate temporary arrangements can be made during the closure period. This is likely to last from around November 2008 for a period of approximately 2 years. The revenue implications of those temporary arrangements, and the need for possible alteration/improvement costs to any premises brought into use, still needs to be determined.

Because the scheme design and costings are not yet finalised, the indicative costs noted above have not been included in the Q2 Capital Plan. The intention is to submit a fuller report to the Executive to deal with this scheme in more detail, and the inclusion in the formal Plan can be reflected at the next update (see also **paragraph 9.21**).

Other County Services

(viii) **Loans to companies in which the County Council has a controlling interest**

The background to these loans was reported to Executive on 20 February 2007 as part of the 2006/07 Capital Plan update and the latest assessment of take up now reflected in the 2007/08 Q2 Capital Plan is as follows:-

Company	Actual 2006/07	2007/08	2008/09	Total
	£000	£000	£000	£000
Yorwaste	1,700	-	2,000	3,700
NYnet	1,553	2,447	-	4,000*
total	3,253	2,447	2,000	7,700

[*reduced from £7,000k in the Q1 Capital Plan update]

Several points to bear in mind in relation to these loans are as follows:-

- the loan facilities agreed with the two companies are intentionally flexible and therefore the total loans eventually taken up and their phasing between years is likely to differ from as shown in the above table. Future Capital Plan updates will however be adjusted to reflect the latest known position

- the loans are treated as capital expenditure which is then financed by additional Prudential Borrowing. Repayments by the companies will then constitute capital receipts which will reduce subsequent Prudential Borrowing (ie a broadly neutral position over time)
- Prudential Borrowing for these loans will be taken internally from surplus cash balances rather than new external debt
- the revenue impact of this internal Prudential Borrowing in terms of 'lost interest earned' and a statutory 4% Minimum Revenue provision for debt repayment will be financed from interest charged to the companies and subsequent loan repayments
- the loans are reflected in various Prudential Indicators that are affected by capital spending including the Capital Financing Requirement and debt limits

(ix) **Thurston Road Office Accommodation**

Capital Plan provision for this project was made in Q2 2006/07 following consideration of a report in relation to the 'Bright Office Strategy – Future Accommodation Needs' on 5 September 2006 when the Executive agreed to an acquisition and disposals programme for office accommodation in the Northallerton area.

The project provides accommodation for over 240 staff from various Directorates utilising 186 workstations and shared facilities.

The 2007/08 Q2 Capital Plan provision for this project has now been updated to reflect the latest forecast of costs and capital receipts from the disposal of released properties as follows:-

item	Q1 Capital Plan	Q2 Capital Plan update	Difference
	£000	£000	
Capital Plan provision for building purchase and associated costs			
2006/07	1,366	1,366	-
2007/08	1,752	2,058	+306
total	3,118	3,424	+306
Financed from			
capital receipts from the disposal of related properties	1,950	1,891*	-59
Other capital receipts	1,168	1,533*	+365
Total	3,118	3,424	+306

The total cost of the project is therefore now £306k more than originally approved. This increase is a result of modifications to the building specification, for example the inclusion of CCTV and automatic doors, as well as the cost of eco-friendly features such as daylight sensitive lighting and the natural ventilation system which were not included in the original cost estimates; a number of these features will yield additional savings in running costs over the years.

The net cost of the scheme required to be financed from increases by £365k (from £1,168k to £1,533k). This results from cost increases of £306k described in the previous paragraph together with the latest forecast of capital receipts from the disposal of released properties being £59k lower than originally estimated.

The increased cost does not fundamentally alter the judgement in the approved Business Case presented to Executive that the project will generate an NPV surplus over 20/25 years. This Business Case was based purely on the physical costs of the project and did not attribute any value to the efficiency gains etc that can be realised by management once staff are in the building.

(x) **East Road Offices – Potential Use as a Pupil Referral Unit**

The latest financial position on the Northallerton Thurston Road project (**paragraph (ix)** above) includes forecast capital receipts of £1,891k from the disposal of related properties. This sum includes £450k for the East Road offices.

CYPS have recently expressed an interest in East Road for use as a Pupil Referral Unit (PRU) and this option is currently being explored further.

If this development does go ahead East Road will therefore transfer to CYPS and no 'cash capital receipt' will be received towards financing the Thurston Road project. However, to balance the books the Thurston Road project would be credited with the £450k value of East Road offices which would be funded by reducing the CYPS Capital Plan by £450k in lieu of that Directorate not having to buy an alternative property on the market.

Members are asked to approve this financing arrangement in principle, ahead of a final decision as to whether CYPS will take over East Road as a PRU.

Impact of changes on the financing of the Capital Plan and availability of capital resources

9.17 The financing of the updated Capital Plan is set out in **Appendix G** with a summary being as follows:-

Source	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£m
Forecast sources of finance				
Borrowing	47.3	38.0	45.8	31.9
Grants and contributions	58.0	47.6	41.5	44.1
Schemes financed from revenue	3.5	6.4	2.3	2.9
Capital receipts	13.0	14.1	4.0	4.0
= total forecast capital funding	121.8	106.1	93.6	82.9
- Updated Capital Plan (**paragraph 9.8**)	-112.5	-105.5	-93.6	-82.9
- Funding from 2006/07 held against SITS risk	0.7			
= potential unallocated capital resources	8.6	0.6	-	-
Total available over period to 2010/11			9.2	

9.18 The above table indicates that there is potentially £9.2m of unallocated capital funding that might (depending upon the realisation of forecast capital receipts) become available in the four year period to 2010/11.

9.19 This sum arises principally from additional capital receipts that have built up over a period of time and consists of:

	£m
• figure reported at Q1	5.3
• additional forecast capital receipts and increased values expected from some existing sales in the pipeline	4.3
• Thurston Road (see **paragraph 9.16 (ix)**)	-0.4
• potential available capital resources at Q2	9.2

9.20 The significant additional capital receipts figure of £4.3m in **paragraph 9.19** arises from two main factors. Firstly a number of properties identified for disposal for some time have only recently had a specific monetary value placed on them by Bruton Knowles, the County Council's property agents. Secondly a number of County Farm sales have unexpectedly become possible in recent months.

9.21 A potential commitment against the £9.2m surplus capital resources however is a matched contribution towards the Harrogate Library Lottery Funded scheme (see **paragraph 9.16(vii)**). This contribution is likely to be about £1.6m which would reduce the £9.2m to £7.6m.

9.22 Assuming these figures are accurate, this remaining £7.6m could be made available for either:

(i) new capital investment (ie additional schemes), or

(ii) reducing prudential (unsupported) borrowing in 2007/08, 2008/09, 2009/10 or 2010/11 and therefore achieving financing cost savings in the Revenue Budget, or

(iii) holding for the time being with no immediate decision to either spend or reduce borrowing. This course of action would result in additional short-term interest being earned within Corporate Miscellaneous.

9.23 Members previously agreed to adopt option (iii) above and retain any surplus capital funding for the time being. Another factor that influenced this decision was that the forecast funding levels include a capital receipts risk in terms of both forecast receipts slipping into a future year and/or not achieving their assumed estimate.

9.24 **Given the factors mentioned above and the intention to review the 10 year Capital Forecast as part of the 2008/09 Budget process it is proposed that option (iii) be reaffirmed at this stage and that the funding is held in reserve for the next round of capital scheme bids**.

RECOMMENDATIONS

9.25 The Executive is recommended to:

(a) approve the updated Capital Plan, summarised at **Appendix E** which incorporates a number of specific refinements reported in **paragraph 9.16.**

(b) agree that no action be taken at this stage to allocate any additional capital resources (**paragraph 9.24**)

ANNEX D

CAPITAL PLAN APPENDICES

Appendix A	Adult and Community Services
Appendix B	Business and Environmental Services
Appendix C	Children and Young People’s Service
Appendix D	Other County Services
Appendix E	Summary of overall Capital Plan and analysis of changes
Appendix F	Addition of 2010/11 to Capital Plan
Appendix G	Financing of Capital Plan