

**CABINET MEETING**

<b>Date of Meeting</b>	Tuesday 13 October 2015
<b>Report Subject</b>	Capital Programme Monitoring 2015/16 (Month 4)
<b>Portfolio Holder</b>	Leader of the Council and Cabinet Member for Finance
<b>Report By</b>	Corporate Finance Manager
<b>Strategic / Operational</b>	Operational

**EXECUTIVE SUMMARY**

	Para Ref
<p>The Capital Programme has increased by £75.438m in the period, largely due to the impact of:-</p> <ul style="list-style-type: none"> <li>• HRA Subsidy Buyout (£79.248m);</li> <li>• Rollover from 2014/15 (£5.767m);</li> <li>• Additional WG grant funding (£4.223m);</li> <li>• Community Asset Transfers (CAT's) (£0.500m)</li> </ul> <p>Offset by:-</p> <ul style="list-style-type: none"> <li>• A decrease in funding required for 21st Century schools (£13.850m); and</li> <li>• Savings in the allocation to Flintshire Connects projects (£0.521m).</li> </ul>	1.03
<p>Current expenditure stands at 15.42% of budget (excluding HRA Subsidy Buyout).</p>	1.12
<p>Resources available for funding future capital expenditure currently c£2.476m.</p>	1.21

## RECOMMENDATIONS

(1)	Approve the Report.
(2)	Approve the rollover adjustments at 1.16.

## REPORT DETAILS

### 1.00 EXPLAINING THE CAPITAL PROGRAMME MONITORING POSITION FOR MONTH 4 – 2015/16

*Items marked with an asterisk \* are included in the Glossary of Terms at the end of this Report*

#### Background

1.01 The Council approved a Housing Revenue Account (HRA)\* capital programme\* for 2015/16 of £21.200m and a Council Fund (CF)\* capital programme of £50.359m at its meeting of 17<sup>th</sup> February, 2015.

1.02 For presentational purposes the capital programme is shown as a whole, with sub-totals for the Council Fund and HRA. In reality the HRA programme is ring fenced and can only be used for HRA purposes.

#### Changes since Budget approval

1.03 Table 1 below sets out how the programme has changed during 2015/16. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-

**Table 1**

REVISED PROGRAMME	Original Budget 2015/16 £m	Rollover from 2014/15 £m	Changes - This Period £m	Rollover to 2016/17 £m	Savings £m	Revised Budget 2015/16 £m
Chief Executives	0.020	0.006	0	0	0	0.026
People & Resources	0.075	0.086	(0.018)	0	0	0.143
Governance	0.170	0.753	0	0	0	0.923
Education & Youth	45.022	1.942	(13.585)	0	0	33.379
Social Care	0	0	0	0	0	0.000
Community & Enterprise	2.841	0.857	2.960	0	(0.521)	6.137
Planning & Environment	0.551	1.147	0.020	0	0	1.718
Transport & Streetscene	0.860	0.104	1.022	0	0	1.986
Organisational Change 1	0	0.042	0.045	0	0	0.087
Organisational Change 2	0.820	0.318	0.500	0	0	1.638
<b>Council Fund Total</b>	<b>50.359</b>	<b>5.255</b>	<b>(9.056)</b>	<b>0.000</b>	<b>(0.521)</b>	<b>46.037</b>
HRA Subsidy Buyout	0	0	79.248	0	0	79.248
Housing Revenue Account	21.200	0.512	0	0	0	21.712
<b>Housing Revenue Account Total</b>	<b>21.200</b>	<b>0.512</b>	<b>79.248</b>	<b>0.000</b>	<b>0.000</b>	<b>100.960</b>
<b>Programme Total</b>	<b>71.559</b>	<b>5.767</b>	<b>70.192</b>	<b>0.000</b>	<b>(0.521)</b>	<b>146.997</b>

## Rollover from 2014/15

1.04 Rollover\* sums from 2014/15 to 2015/16, totalling £5.767m (CF £5.255m, HRA £0.512m), were approved by Cabinet.

### Changes during this period

1.05 Changes during this period have resulted in a net increase in the programme total of £70.192m (CF (£9.056m), HRA £79.248m). A summary of the changes, showing major items, is in Table 2 below:-

**Table 2**

<b>CHANGES DURING THIS PERIOD</b>	
	<b>£m</b>
<b><u>COUNCIL FUND</u></b>	
<b>Increases</b>	
Introduction of WG Grant for Vibrant & Viable Places	2.960
Introduction of WG Grant for Recycling Vehicles	0.519
Introduction of WG Road Safety Grant	0.255
Introduction of WG Safer Routes in the Community Grant	0.248
Introduction of WG Flying Start Grant	0.241
Community Asset Transfers	0.500
Other Aggregate Increases	0.089
	<b>4.812</b>
<b>Decreases</b>	
Reduction in Funding required for 21C Schools	(13.850)
Other Aggregate Decreases	(0.018)
	<b>(13.868)</b>
<b>Total</b>	<b>(9.056)</b>
<b><u>HRA</u></b>	
<b>Increases</b>	
Introduction of Prudential Borrowing for HRA Subsidy buyout	79.248
	<b>79.248</b>
<b>Decreases</b>	
	0.000
<b>Total</b>	<b>79.248</b>

1.06 Specific grant allocations for both new and existing capital grants are often announced by Welsh Government (WG) early in the new financial year and therefore the figures were not available when the budget was set. This is the case with the majority of the Council Fund increases listed above.

1.07 The introduction of Community Asset Transfer 'pump priming' funding was approved by Cabinet at its meeting of 15 June, 2015 (£0.500m in 2015/16 and £0.500m in 2016/17).

1.08 The decrease in the 21C Schools funding requirement reflects the revised spending profile pending the final decision on John Summers High School.

### **Housing Revenue Account Subsidy**

1.09 Agreement was reached between the UK Government and the Welsh Government to change the financing arrangements for council housing in Wales from April 2015. Prior to this a negative subsidy system was in operation which required Flintshire to make annual payments of c£6m in negative subsidy to Welsh Government and on to UK Treasury, along with the other 11 stock retaining authorities in Wales.

1.10 The introduction of self-financing will end the negative subsidy system and annual payments. The subsidy payments are replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council must borrow to exit the subsidy system. The PWLB loans, in the sum of £79.248m, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government and on to UK Treasury in April 2015.

1.11 The agreement is expected to generate revenue savings of c£0.500m per annum, allowing the Council to increase its investment in its existing housing stock and support the delivery of additional housing. It will also provide more local accountability to tenants.

### **Capital Expenditure compared to Budget**

1.12 Actual expenditure as at Month 4 (end of July 2015) across the whole of the capital programme is £89.692m. The breakdown of expenditure is analysed in Table 3 below, along with the percentage spend against budget. This shows that 15.42% of the budget has been spent (CF 17.95%, HRA 10.05%). Corresponding figures for Month 4 2014/15 were 16.16% (CF 14.45%, HRA 20.38%). The HRA capital programme is significantly larger than in previous years, requiring more initial planning and therefore the bulk of expenditure will occur later in the year. This excludes the HRA Subsidy Buyout (£79.248m) which was paid in its entirety early in the financial year.

**Table 3**

EXPENDITURE	Revised Budget	Cumulative Expenditure Month 4	Percentage Spend v Budget	Projected Outturn	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m	£m
Chief Executives	0.026	0	0	0.026	0
People & Resources	0.143	0.000	0	0.143	0
Governance	0.923	0.421	45.61	0.923	0
Education & Youth	33.379	5.291	15.85	33.034	(0.345)
Social Care	0	0	0	0	0
Community & Enterprise	6.137	1.822	29.69	6.462	0.325
Planning & Environment	1.718	0.191	11.11	1.750	0.032
Transport & Streetscene	1.986	0.172	8.65	1.986	0
Organisational Change 1	0.087	0.149	170.96	0.087	0
Organisational Change 2	1.638	0.217	13.26	1.638	0
<b>Council Fund Total</b>	<b>46.037</b>	<b>8.263</b>	<b>17.95</b>	<b>46.049</b>	<b>0.012</b>
<b>Housing Revenue Account</b>	<b>21.712</b>	<b>2.181</b>	<b>10.05</b>	<b>21.712</b>	<b>0</b>
<b>Programme Total (Excl HRA Subsidy)</b>	<b>67.749</b>	<b>10.444</b>	<b>15.42</b>	<b>67.761</b>	<b>0.012</b>
HRA Subsidy Buyout	79.248	79.248	100.00	79.248	0
<b>Programme Total</b>	<b>146.997</b>	<b>89.692</b>	<b>61.02</b>	<b>147.009</b>	<b>0.012</b>

1.13 The table also shows the projected outturn of £147.009m. This indicates a projected overspend of £0.012m on the Council Fund and a projected breakeven position on the HRA.

1.14 Details of the variances for individual programme areas are listed in Appendix B, which includes the reasons, and required remedial actions which may be required where those variances exceed +/- 10% of the revised budget. In addition, where Early Identified Rollover (EIR) into 2016/17 has been identified, this is also included in the narrative.

#### **Rollover into 2016/17**

1.15 As at Month 4 rollover of £0.345m has been identified which reflects reviewed spending plans across all programme areas; these committed amounts have been identified as now required to meet the cost of programme works in 2016/17.

1.16 Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:-

**Table 4**

<b>ROLLOVER INTO 2016/17</b>	<b>Month 4 £m</b>	<b>Total £m</b>
Education & Youth	0.345	0.345
<b>Council Fund</b>	<b>0.345</b>	<b>0.345</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>0</b>

**Identified Savings**

1.17 An update on the latest position with regard to Flintshire Connects sites was reported to Cabinet in March 2015 which advised that costs were likely to be lower than previously anticipated. The financial impacts of this have now been included in the Capital Programme and have resulted in savings of £0.521m being identified.

**Financing**

1.18 The capital programme is financed as summarised in Table 5 below:-

**Table 5**

<b>FINANCING RESOURCES</b>	<b>General Financing<sup>1</sup> £m</b>	<b>Specific Financing<sup>2</sup> £m</b>	<b>Total Financing £m</b>
<b>Latest Monitoring</b>			
Council Fund	6.216	39.821	46.037
Housing Revenue Account	5.110	95.850	100.960
	<b>11.326</b>	<b>135.671</b>	<b>146.997</b>
<b>Total Financing Resources</b>	<b>11.326</b>	<b>135.671</b>	<b>146.997</b>

1 Supported Borrowing / General Capital Grant / Capital Receipts / MRA\*  
2 Grants & Contributions / CERA\* / Reserves / Prudential & Other Borrowing

1.19 Given the continuing uncertainty over the realisation of asset disposals, no capital receipts were assumed for 2015/16 budget setting purposes. However, any assets realised in year would be available for capital investment (see Sections 1.21 to 1.23 below).

## Funding of 2015/16 Approved Schemes

1.20 The position as at Month 4 is summarised in Table 6 below:-

**Table 6**

<b>FUNDING OF APPROVED SCHEMES</b>		
	£m	£m
<b>Surplus from 2014/15</b>		<b>(1.314)</b>
<b>Increases</b>		
Community Asset Transfers	0.500	
Security Works @ Deeside Leisure Centre	0.045	
Wevre Park Development match funding	0.020	0.565
<b>Decreases</b>		
Actual In year receipts	(0.873)	
Identified Savings	(0.521)	
Unallocated Headroom	(0.333)	(1.727)
<b>Funding Available</b>		<b>(2.476)</b>
<b>Prospective Schemes</b>		
Brookhill / Standard PV Sites		1.450
		<b>1.450</b>
<b>Projected shortfall / (surplus) to 2016/17</b>		<b>(1.026)</b>

1.21 The final outturn surplus from 2014/15 was £1.314m (£1.322m as per outturn report to Cabinet 14 July, 2015).

Additional allocations in year amount to £0.565m.

Savings identified in year amount to £0.521m.

Actual receipts to Month 4 amount to £0.873m and unallocated headroom remains unaltered at £0.333m.

Taken as a whole this indicates that c£2.476m is available to fund capital schemes.

1.22 Portfolios through their business plans have identified significant capital investment needed to improve services and achieve revenue efficiencies. Business cases are in the process of being written, the intention being to bring additional capital schemes to Cabinet for approval in the current and/or future financial years.

1.23 A report requesting support for the installation of photovoltaic (PV) arrays at

	ex landfill sites in Buckley was approved by Cabinet at its meeting of 16 June 2015. The provisional costs are included in the table above and a further report will come to Cabinet once all the details are finalised.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications - As set out in the body of the report.
2.02	Personnel Implications - None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	No consultation is required as a direct result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	At this stage in the financial year and given the size and complexity of schemes within the programme, it is considered that the level of spend against budget is appropriate and poses no risk or negative impact for the Council e.g. loss of external funding.
4.02	As stated in Section 1.12, the 2015/16 HRA Capital Programme is significantly larger than in previous years and so may present a risk in terms of achieving spending levels. As such this will need to be closely monitored during the year.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A: Capital Programme - Changes during 2015/16
5.02	Appendix B: Variances

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Capital Programme monitoring papers 2015/16.  <b>Contact Officer:</b> Andrew Elford Accountant <b>Telephone:</b> 01352 702291 <b>E-Mail:</b> <a href="mailto:andrew.elford@flintshire.gov.uk">andrew.elford@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
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7.01	<p><b>Capital Programme:</b> The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p><b>CERA: Capital Expenditure charged to Revenue Account.</b> The Council is allowed to use its revenue resources to fund capital expenditure. However the opposite is not permissible.</p> <p><b>Council Fund (CF):</b> The fund to which all the Council's revenue and capital expenditure is charged.</p> <p><b>Housing Revenue Account (HRA):</b> The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.</p> <p><b>MRA: Major Repairs Allowance.</b> A general capital grant from WG for HRA purposes.</p> <p><b>Rollover:</b> Rollover occurs when schemes due to be completed in a given financial year are delayed until a subsequent year. In this case the relevant funding is 'rolled over' to meet the delayed expenditure.</p>