

CABINET

Date of Meeting	Tuesday 19 th July, 2016
Report Subject	Capital Programme Monitoring 2015/16 (Outturn)
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report By	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report provides a summary of changes made to the Capital Programme during the last quarter of 2015/16.

The Capital Programme has decreased by £2.178m in the period (changes £1.452m, M9 approved rollover (£3.538m) and additional savings (£0.092m)) due to the impact of:-

- Reductions at outturn to grant funded schemes now re-profiled into the new financial year (2016/17) including; Vibrant & Viable Places (£0.460m), energy schemes (HRA) (£0.425m) and Townscape Heritage Initiatives (£0.115m) and other aggregated decreases (£0.305m);
- Pre-approved Rollover into 2016/17 (£3.538m); and
- Additional savings re Flintshire Connects (£0.092m)

Offset by :-

- Increases for grant and revenue funded schemes introduced at outturn to fund expenditure incurred in year including; Town Centre Regeneration (£0.294m), Play Areas (£0.274m), Private Sector Renewal & Improvement (£0.229m), Local transport Grant (£0.200m) and Highways (£0.149m);
- Purchase of equipment - Leisure Centres (£0.388m) and Waste Services (£0.282m); and
- Other Aggregate Increases (£0.387m).

Resources available for funding future capital expenditure currently c£3.168m.

RECOMMENDATIONS

(1)	Approve the Report.
(2)	Approve the rollover adjustments at 1.12.
(3)	Approve the funding for the closed landfill site scheme as outlined in 1.22 - 1.24.
(4)	Approve the funding for the ICT Data Storage scheme as outlined in 1.25 - 1.26.

REPORT DETAILS

1.00	EXPLAINING THE CAPITAL PROGRAMME MONITORING POSITION AT OUTTURN - 2015/16
1.01	Background 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 th 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.
1.03	Changes since Budget approval Table 1 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	2015/16 Previously Reported			Changes - This Period £m	Revised Budget 2015/16 £m
			Changes	Rollover to 2016/17	Savings		
			£m	£m	£m		
Chief Executives	0.020	0.006	0	0	0	0	0.026
People & Resources	0.075	0.086	(0.018)	0	0	0	0.143
Governance	0.170	0.753	0	(0.165)	0	0	0.758
Education & Youth	45.022	1.942	(19.309)	(0.866)	0	(0.012)	26.777
Social Care	0	0	0	0	0	0	0.000
Community & Enterprise	2.841	0.857	5.107	0	(0.613)	0.030	8.222
Planning & Environment	0.551	1.147	0.112	(0.685)	0	(0.026)	1.099
Transport & Streetscene	0.860	0.104	2.274	(0.182)	0	0.727	3.783
Organisational Change 1	0	0.042	0.265	0	0	0.662	0.969
Organisational Change 2	0.820	0.318	0.540	(0.920)	0	0	0.758
Council Fund Total	50.359	5.255	(11.029)	(2.818)	(0.613)	1.381	42.535
HRA Subsidy Buyout	0	0	79.248	0	0	0	79.248
Housing Revenue Account	21.200	0.512	0.095	(1.500)	0	0.071	20.378
Housing Revenue Account Total	21.200	0.512	79.343	(1.500)	0.000	0.071	99.626
Programme Total	71.559	5.767	68.314	(4.318)	(0.613)	1.452	142.161

1.04 Rollover from 2014/15

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

1.05 Changes during this period

Changes during this period have resulted in a net decrease in the programme total of £1.452m (CF (£1.381m, HRA £0.071m). A summary of the changes, showing major items, is in Table 2:-

Table 2

CHANGES DURING THIS PERIOD	
<u>COUNCIL FUND</u>	£m
Increases	
Leisure Centres - Purchase of Equipment	0.388
Town Centre Regeneration - Grant funding to match expenditure	0.294
Waste Services - Purchase of Equipment	0.282
Play Areas - Grant/Revenue Funding to match expenditure	0.274
Private Sector Renewal/Improv't - Grant funding to match expenditure	0.229
Local Transport Grant - Grant funding to match expenditure	0.200
Highways - Grant/Revenue Funding to match expenditure	0.149
Other Aggregate Increases	0.387
	2.203
Decreases	
Vibrant & Viable Places - Programme underspend re-profiled to 2016/17	(0.460)
Townscape Heritage Initiatives - Grant funded scheme re-profiled to 2016/17	(0.115)
Other Aggregate Decreases	(0.247)
	(0.822)
Total	1.381
<u>HRA</u>	
Increases	
WHQS Improvements - Grant/Revenue/PB Funding to match expenditure	0.351
Accelerated Programmes - Grant/Revenue/PB Funding to match expenditure	0.103
Major Works - Grant/Revenue/PB Funding to match expenditure	0.100
	0.554
Decreases	
Energy Schemes - Revenue funding to match expenditure	(0.425)
Other Aggregate Decreases	(0.058)
	(0.483)
Total	0.071

1.06 During the final quarter of the year there a number of adjustments made to schemes that are funded from grants, revenue and prudential borrowing. Reflecting the need to re-profile funding between financial years to align expenditure incurred with the relevant funding source. This is the case with the majority of the movements above, including the HRA.

1.07 During the year Portfolios will have purchased equipment which is classed as capital expenditure. Portfolios have revenue budgets to fund the costs which are charged over the useful life of the equipment. An option appraisal to assess the best funding method is undertaken comparing leasing with prudential borrowing. Prudential borrowing was the most suitable option for the gym and waste collection equipment purchased during 2015/16 which has

been added to the capital programme at outturn.

1.08 Capital Expenditure compared to Budget

Actual outturn expenditure across the whole of the capital programme is £140.287m. The breakdown of expenditure is analysed in Table 3 below, along with the percentage spend against budget. This shows that 97.02% of the budget has been spent (CF 95.59%, HRA 100%). Corresponding figures for 2014/15 outturn were 92.90% (CF 91.68%, HRA 95.90%). These figures exclude the HRA Subsidy Buyout (£79.248m) which was paid in its entirety early in the financial year.

1.09 The table also shows an outturn of £140.287m. This indicates a projected underspend of £1.874m on the Council Fund and a break even position on the HRA.

Table 3

EXPENDITURE	Revised Budget	Outturn	Variance Budget v Outturn (Under)/Over	Percentage Spend v Budget
	£m	£m	£m	%
Chief Executives	0.026	0.026	0.000	100
People & Resources	0.143	0	(0.143)	0
Governance	0.758	0.674	(0.084)	88.92
Education & Youth	26.777	26.599	(0.178)	99.34
Social Care	0	0	0.000	0
Community & Enterprise	8.222	7.588	(0.634)	92.29
Planning & Environment	1.099	0.879	(0.220)	79.98
Transport & Streetscene	3.783	3.227	(0.556)	85.30
Organisational Change 1	0.969	0.943	(0.026)	97.32
Organisational Change 2	0.758	0.725	(0.033)	95.65
Council Fund Total	42.535	40.661	(1.874)	95.59
Housing Revenue Account	20.378	20.378	0.000	100.00
Programme Total (Excl HRA Subsidy)	62.913	61.039	(1.874)	97.02
HRA Subsidy Buyout	79.248	79.248	0.000	100.00
Programme Total	142.161	140.287	(1.874)	98.68

1.10 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 rollover into 2016/17 has been identified, this is also included in the narrative.

1.11 **Rollover into 2016/17**

At outturn rollover of £1.874m (CF £1.874m, HRA £Nil) 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.

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

Table 4

ROLLOVER INTO 2016/17	Month 4 £m	Month 6 £m	Month 9 £m	Outturn £m	Total £m
People & Resources				0.143	0.143
Governance	0	0	0.165	0.084	0.249
Education & Youth	0.345	0.068	0.453	0.178	1.044
Community & Enterprise				0.634	0.634
Planning & Environment	0	0	0.685	0.220	0.905
Transport & Streetscene	0	0	0.182	0.556	0.738
Organisational Change 1				0.026	0.026
Organisational Change 2	0	0.367	0.553	0.033	0.953
Council Fund	0.345	0.435	2.038	1.874	4.692
Housing Revenue Account	0	0	1.500	0	1.500
TOTAL	0.345	0.435	3.538	1.874	6.192

If approved this will bring the total amount rolled over into 2016/17 to £6.192m (£5.767 in 2014/15). Whilst this is more than 2014/15, as a percentage of the overall budget it is much less (13.24% 2014/15 against 9.84% in 2015/16), this excludes the subsidy buyout but reflects the fact that the programme in 2015/16 was much larger.

1.13 **Savings**

Further savings of £0.012m have been identified in the Flintshire Connects budget as a final outturn figure.

1.14 **Financing**

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

Table 5

FINANCING RESOURCES	General Financing¹	Specific Financing²	Total Financing
	£m	£m	£m
Latest Monitoring			
Council Fund	5.618	36.917	42.535
Housing Revenue Account	5.110	94.516	99.626
Total Financing Resources	10.728	131.433	142.161

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

1.15 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).

1.16 **Funding of 2015/16 Approved Schemes**

The outturn position is summarised in Table 6:-

Table 6

FUNDING OF APPROVED SCHEMES	
	£m
Surplus from 2014/15	(1.314)
Increases	
Previously reported	0.881
	<u>0.881</u>
Decreases	
Actual In year receipts	(1.789)
Identified Savings (Previously reported)	(0.601)
Additional Savings - Flintshire Connects	(0.012)
Unallocated Headroom	(0.333)
	<u>(2.735)</u>
Funding Available	(3.168)

1.17 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, as previously reported, amount to £0.881m.

Savings in the resources required for Flintshire Connects, as previously reported, amount to £0.601m, whilst an additional £0.012m has been

	<p>identified in this period. Actual capital receipts in year amount to £1.789m and unallocated headroom remains unaltered at £0.333m.</p> <p>Taken as a whole this indicates that c£3.168m is available to fund future capital schemes.</p>
1.18	<p>The figure of £3.168m above is a budget figure representing the position were all schemes currently committed to come in on time and on budget. This is very rarely the case and when allocating funding to new schemes, the Council would need to be prudent and give consideration to outturn projections of existing schemes.</p>
1.19	<p>2016/17 and Future Year's Capital Programmes</p> <p>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 future financial years.</p>
1.20	<p>Cabinet on 17th May 2016 approved the building of 92 homes on the site of The Walks Flint as part of the Strategic Housing and Regeneration Programme (SHARP). 30 homes will be built for rent at social housing rent levels, financed through borrowing in the HRA, which has already been built into the HRA 2016/17 Capital Programme.</p>
1.21	<p>The remaining 62 homes will be built for rent at affordable rent levels by the Council's wholly owned company NEW Homes, financed by loans from the Council to NEW Homes. The loans, in accounting terms, are classed as capital expenditure and included within the Council's Capital Programme. Cabinet has approved the inclusion of £7.400m of loans to NEW Homes in the Capital Programme funded from prudential borrowing which is estimated to be split £4.100m in 2016/17, £3.200m in 2017/18 and £0.100m in 2018/19.</p>
1.22	<p>In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, former waste disposal sites within the county are being considered and assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.</p>
1.23	<p>Assessment at 2 sites are nearing conclusion, and are indicating that remediation work may be necessary, though it is not possible at this stage to confirm what exactly the work would entail or costs. Options for remediation works will be developed once the outcomes of the assessments are known.</p>
1.24	<p>Given that remediation works may be necessary at the 2 sites above, and that capital funding is available, it would be considered prudent to set aside some funding towards future costs. Cabinet are asked to approve setting aside £0.250m of funding for remedial works at former landfill sites in the 2016/17 Capital Programme, and note that actual costs could be higher or lower dependent on the outcomes of the ongoing assessments.</p>
1.25	<p>The Council uses virtual storage technologies which are the most cost</p>

	effective way of allocating storage against all systems used by the Council, from business applications to general filesharing. The current systems were purchased 3 years ago including 3 years maintenance and support. This period has now ended and replacement systems are urgently required. There is no revenue budget available to fund ongoing support and maintenance of the existing systems, for which the costs per annum would be over a third of the cost for a like for like replacement.
1.26	Cabinet are asked to approve a sum of £0.590m in the 2016/17 Capital Programme which will procure replacement technology with increased capacity, together with 5 years support and maintenance. Due to discounts available this sum is lower than that paid for the existing 3 year provision.

2.00	RESOURCE IMPLICATIONS
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.

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

4.00	RISK MANAGEMENT
4.01	As this is an outturn report there are no risks associated with the information contained in this report.

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

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

7.00	GLOSSARY OF TERMS
7.01	Capital Programme: 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.
7.02	CERA: Capital Expenditure charged to Revenue Account. The Council is allowed to use its revenue resources to fund capital expenditure. However the opposite is not permissible.
7.03	Council Fund (CF): The fund to which all the Council's revenue and capital expenditure is charged.
7.04	Housing Revenue Account (HRA): The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.
7.05	MRA: Major Repairs Allowance. A general capital grant from WG for HRA purposes.
7.06	Rollover: 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.