

CABINET

Date of Meeting	Tuesday 21 st November 2017
Report Subject	Capital Programme Monitoring 2017/18 (Month 6)
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report By	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report summarises changes made to the Capital Programme 2017/18 since Month 4 to the end of month 6 (September 2017), along with expenditure to date and projected outturn.

The Capital Programme has seen a net increase of £1.836m during the period. This is comprised of:-

- Increases in the programme of £4.166m (CF £2.815m, HRA £1.351m);
- Partially offset by Carry Forward to 2018/19 of £2.330m approved by Cabinet at Month 4.

Actual expenditure was £23.174m.

Whilst all funding for 2017/18 schemes is in place, the Provisional Settlement announced by Welsh Government (WG) in October reduced annual capital funding by £0.118m, thereby increasing the shortfall in the total programme (2017/18 - 2019/20) by £0.236m. The current shortfall stands at £0.567m. The options for funding this were kept flexible. Options included a combination of future capital receipts, alternative grants, prudential borrowing or phasing schemes over several years that would be considered during 2017/18.

RECOMMENDATIONS

1	Cabinet are requested to approve the overall report.
2	Cabinet are requested to approve the carry forward adjustments set out at 1.15.

REPORT DETAILS

1.00	EXPLAINING THE MONTH 6 CAPITAL PROGRAMME MONITORING POSITION- 2017/18																																																																																																												
1.01	<p>Background</p> <p>The Council approved a Housing Revenue Account (HRA) capital programme for 2017/18 of £27.744m and a Council Fund (CF) capital programme of £19.435m at its meeting of 14th February, 2017.</p>																																																																																																												
1.02	<p>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.</p>																																																																																																												
1.03	<p>Changes since Budget approval</p> <p>Table 1 below sets out how the programme has changed during 2017/18. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-</p> <p>Table 1</p> <table border="1" data-bbox="359 1019 1347 1771"> <thead> <tr> <th rowspan="3">REVISED PROGRAMME</th> <th rowspan="3">Original Budget 2017/18</th> <th rowspan="3">Carry Forward from 2016/17</th> <th colspan="3">2017/18 Previously Reported</th> <th rowspan="3">Changes - This Period</th> <th rowspan="3">Revised Budget 2017/18</th> </tr> <tr> <th>Changes</th> <th>Carry Forward to 2018/19</th> <th>Savings</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Chief Executives</td> <td>0.100</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.100</td> </tr> <tr> <td>People & Resources</td> <td>0.250</td> <td>0.153</td> <td>0</td> <td>0</td> <td>(0.150)</td> <td>0.253</td> </tr> <tr> <td>Governance</td> <td>0.620</td> <td>0.145</td> <td>0</td> <td>0</td> <td>0</td> <td>0.765</td> </tr> <tr> <td>Education & Youth</td> <td>7.792</td> <td>0.453</td> <td>0.612</td> <td>0</td> <td>0.124</td> <td>8.981</td> </tr> <tr> <td>Social Care</td> <td>2.145</td> <td>0</td> <td>0</td> <td>(1.725)</td> <td>0.023</td> <td>0.443</td> </tr> <tr> <td>Community & Enterprise</td> <td>5.044</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>5.044</td> </tr> <tr> <td>Planning & Environment</td> <td>0.000</td> <td>1.011</td> <td>0.047</td> <td>(0.550)</td> <td>0.018</td> <td>0.526</td> </tr> <tr> <td>Transport & Streetscene</td> <td>2.110</td> <td>0.820</td> <td>3.347</td> <td>(0.055)</td> <td>2.742</td> <td>8.964</td> </tr> <tr> <td>Organisational Change 1</td> <td>0.524</td> <td>0</td> <td>2.064</td> <td>0</td> <td>0.058</td> <td>2.646</td> </tr> <tr> <td>Organisational Change 2</td> <td>0.850</td> <td>1.007</td> <td>0</td> <td>0</td> <td>0</td> <td>1.857</td> </tr> <tr> <td>Council Fund Total</td> <td>19.435</td> <td>3.589</td> <td>6.070</td> <td>(2.330)</td> <td>0.000</td> <td>2.815</td> <td>29.579</td> </tr> <tr> <td>Housing Revenue Account Total</td> <td>27.744</td> <td>0.000</td> <td>0.000</td> <td>0.000</td> <td>0.000</td> <td>1.351</td> <td>29.095</td> </tr> <tr> <td>Programme Total</td> <td>47.179</td> <td>3.589</td> <td>6.070</td> <td>(2.330)</td> <td>0.000</td> <td>4.166</td> <td>58.674</td> </tr> </tbody> </table>	REVISED PROGRAMME	Original Budget 2017/18	Carry Forward from 2016/17	2017/18 Previously Reported			Changes - This Period	Revised Budget 2017/18	Changes	Carry Forward to 2018/19	Savings	£m	£m	£m	Chief Executives	0.100	0	0	0	0	0.100	People & Resources	0.250	0.153	0	0	(0.150)	0.253	Governance	0.620	0.145	0	0	0	0.765	Education & Youth	7.792	0.453	0.612	0	0.124	8.981	Social Care	2.145	0	0	(1.725)	0.023	0.443	Community & Enterprise	5.044	0	0	0	0	5.044	Planning & Environment	0.000	1.011	0.047	(0.550)	0.018	0.526	Transport & Streetscene	2.110	0.820	3.347	(0.055)	2.742	8.964	Organisational Change 1	0.524	0	2.064	0	0.058	2.646	Organisational Change 2	0.850	1.007	0	0	0	1.857	Council Fund Total	19.435	3.589	6.070	(2.330)	0.000	2.815	29.579	Housing Revenue Account Total	27.744	0.000	0.000	0.000	0.000	1.351	29.095	Programme Total	47.179	3.589	6.070	(2.330)	0.000	4.166	58.674
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1.04	<p>Carry Forward from 2016/17</p> <p>Carry forward sums from 2016/17 to 2017/18, totalling £3.589m (CF £3.589m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2016/17.</p>																																																																																																												

1.05

Changes during this period

Changes during this period have resulted in a net increase in the programme total of £4.166m (CF £2.815m, HRA £1.351m). A summary of the changes, detailing major items, is shown in Table 2 below:-

Table 2

CHANGES DURING THIS PERIOD		
	Para	£m
<u>COUNCIL FUND</u>		
Increases		
Highways - Streetlighting replacement	1.06	1.379
Waste CCP Grant - Household Recycling Centres	1.07	0.677
Highways - Resurfacing/Surface Dressing Works	1.08	0.436
Local Transport Grant - Deeside Quality Partnership Scheme	1.09	0.100
Other Aggregate Increases		0.223
		2.815
Decreases		
Other Aggregate Decreases		0.000
		0.000
Total		2.815
<u>HRA</u>		
Increases		
SHARP - Realignment of Batch 3 expenditure	1.10	1.351
Other Aggregate Increases		0.000
		1.351
Decreases		
Other Aggregate Decreases		0.000
		0.000
Total		1.351

1.06

A programme of replacing current street lighting bulbs with more energy efficient ones is underway. This is funded by an interest free Salix loan.

1.07

Works are ongoing to rationalise and enhance the Council's Household Recycling Centre's. This is funded by Collaborative Change Programme (CCP) Grant from WG.

1.08

Within highways maintenance, resources are available within revenue to fund short term patching and capital to fund longer term surface dressing/resurfacing. This increase reflects expenditure being prioritised on the latter.

1.09

WG is funding a study into developing the bus infrastructure along the B5129 corridor between Shotton/Connah's Quay and the Deeside Industrial Park.

1.10	In the Month 4 monitoring report, a potential overspend of £3.219m in Batch 3 of the SHARP programme was identified due to the re-phasing of expenditure from 2016/17. This was based on a full Batch 3 programme within 2017/18. Following a review of the start dates of these schemes with the contractor, this has now been reduced to £1.351m and funding introduced accordingly.																																																																																																																								
1.11	<p>Capital Expenditure compared to Budget</p> <p>Expenditure as at Month 6, across the whole of the capital programme was £23.174m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 39.50% of the budget has been spent (CF 28.28%, HRA 50.90%). Corresponding figures for Month 6 2016/17 were 49.83% (CF 56.41%, HRA 49.83%).</p>																																																																																																																								
1.12	<p>The table also shows a projected overspend (pending carry forward and other adjustments) of £0.065m on the Council Fund and an overspend of £1.000m on the HRA.</p> <p>Table 3</p> <table border="1" data-bbox="336 936 1369 1760"> <thead> <tr> <th data-bbox="344 958 699 1099">EXPENDITURE</th> <th data-bbox="699 958 831 1099">Revised Budget £m</th> <th data-bbox="831 958 963 1099">Cumulative Expenditure Month 6 £m</th> <th data-bbox="963 958 1096 1099">Percentage Spend v Budget %</th> <th data-bbox="1096 958 1228 1099">Projected Outturn £m</th> <th data-bbox="1228 958 1364 1099">Variance Budget v Outturn (Under)/Over £m</th> </tr> </thead> <tbody> <tr> <td>Chief Executives</td> <td>0.100</td> <td>0.010</td> <td>9.53</td> <td>0.065</td> <td>(0.035)</td> </tr> <tr> <td>People & Resources</td> <td>0.253</td> <td>0</td> <td>0.00</td> <td>0.253</td> <td>0</td> </tr> <tr> <td>Governance</td> <td>0.765</td> <td>0</td> <td>0.00</td> <td>0.765</td> <td>0</td> </tr> <tr> <td>Education & Youth</td> <td>8.981</td> <td>2.858</td> <td>31.82</td> <td>8.981</td> <td>0</td> </tr> <tr> <td>Social Care</td> <td>0.443</td> <td>0.059</td> <td>13.29</td> <td>0.443</td> <td>0</td> </tr> <tr> <td>Community & Enterprise</td> <td>5.044</td> <td>3.257</td> <td>64.57</td> <td>5.525</td> <td>0.481</td> </tr> <tr> <td>Planning & Environment</td> <td>0.526</td> <td>0.150</td> <td>28.50</td> <td>0.495</td> <td>(0.031)</td> </tr> <tr> <td>Transport & Streetscene</td> <td>8.964</td> <td>1.376</td> <td>15.35</td> <td>8.588</td> <td>(0.376)</td> </tr> <tr> <td>Organisational Change 1</td> <td>2.646</td> <td>0.305</td> <td>11.52</td> <td>2.727</td> <td>0.081</td> </tr> <tr> <td>Organisational Change 2</td> <td>1.857</td> <td>0.351</td> <td>18.89</td> <td>1.802</td> <td>(0.055)</td> </tr> <tr> <td>Council Fund Total</td> <td>29.579</td> <td>8.364</td> <td>28.28</td> <td>29.644</td> <td>0.065</td> </tr> <tr> <td>Disabled Adaptations</td> <td>1.030</td> <td>0.257</td> <td>24.95</td> <td>1.030</td> <td>0</td> </tr> <tr> <td>Energy Schemes</td> <td>0.350</td> <td>0.141</td> <td>40.22</td> <td>0.350</td> <td>0</td> </tr> <tr> <td>Major Works</td> <td>1.492</td> <td>1.342</td> <td>89.98</td> <td>2.492</td> <td>1.000</td> </tr> <tr> <td>Accelerated Programmes</td> <td>0.650</td> <td>0.444</td> <td>68.27</td> <td>0.650</td> <td>0</td> </tr> <tr> <td>WHQS Improvements</td> <td>16.518</td> <td>9.403</td> <td>56.92</td> <td>16.518</td> <td>0</td> </tr> <tr> <td>SHARP Programme</td> <td>9.055</td> <td>3.223</td> <td>35.60</td> <td>9.055</td> <td>0</td> </tr> <tr> <td>Housing Revenue Account Total</td> <td>29.095</td> <td>14.810</td> <td>50.90</td> <td>30.095</td> <td>1.000</td> </tr> <tr> <td>Programme Total</td> <td>58.674</td> <td>23.174</td> <td>39.50</td> <td>59.739</td> <td>1.065</td> </tr> </tbody> </table>	EXPENDITURE	Revised Budget £m	Cumulative Expenditure Month 6 £m	Percentage Spend v Budget %	Projected Outturn £m	Variance Budget v Outturn (Under)/Over £m	Chief Executives	0.100	0.010	9.53	0.065	(0.035)	People & Resources	0.253	0	0.00	0.253	0	Governance	0.765	0	0.00	0.765	0	Education & Youth	8.981	2.858	31.82	8.981	0	Social Care	0.443	0.059	13.29	0.443	0	Community & Enterprise	5.044	3.257	64.57	5.525	0.481	Planning & Environment	0.526	0.150	28.50	0.495	(0.031)	Transport & Streetscene	8.964	1.376	15.35	8.588	(0.376)	Organisational Change 1	2.646	0.305	11.52	2.727	0.081	Organisational Change 2	1.857	0.351	18.89	1.802	(0.055)	Council Fund Total	29.579	8.364	28.28	29.644	0.065	Disabled Adaptations	1.030	0.257	24.95	1.030	0	Energy Schemes	0.350	0.141	40.22	0.350	0	Major Works	1.492	1.342	89.98	2.492	1.000	Accelerated Programmes	0.650	0.444	68.27	0.650	0	WHQS Improvements	16.518	9.403	56.92	16.518	0	SHARP Programme	9.055	3.223	35.60	9.055	0	Housing Revenue Account Total	29.095	14.810	50.90	30.095	1.000	Programme Total	58.674	23.174	39.50	59.739	1.065
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1.13	Details of the variances for individual programme areas are listed in Appendix B, which includes the reasons, and remedial actions which may be required, where those variances exceed +/- 10% of the revised budget. In addition, where carry forward into 2018/19 has been identified, this is also included in the narrative.																																																																																																																								
1.14	For each of the areas above showing an overspend, Community & Enterprise, Org Change 1 and HRA Major Works, alternative funding sources are available, either from reserves or external contributions, and																																																																																																																								

	these will be introduced prior to the Month 9 report to address the shortfall.																																				
1.15	<p>Carry Forward into 2018/19</p> <p>During the quarter carry forward of £0.497m (all CF) 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 and/or retention payments in 2018/19.</p>																																				
1.16	<p>Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:-</p> <p>Table 4</p> <table border="1"> <thead> <tr> <th>CARRY FORWARD INTO 2018/19</th> <th>Month 4 £m</th> <th>Month 6 £m</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Chief Executives - CTC</td> <td>0</td> <td>0.035</td> <td>0.035</td> </tr> <tr> <td>Social Care</td> <td>1.725</td> <td>0</td> <td>1.725</td> </tr> <tr> <td>Planning & Environment</td> <td>0.550</td> <td>0.031</td> <td>0.581</td> </tr> <tr> <td>Transport & Streetscene</td> <td>0.055</td> <td>0.376</td> <td>0.431</td> </tr> <tr> <td>Organisational Change 1</td> <td>0</td> <td>0.055</td> <td>0.055</td> </tr> <tr> <td>Council Fund</td> <td>2.330</td> <td>0.497</td> <td>2.827</td> </tr> <tr> <td>Housing Revenue Account</td> <td>0</td> <td>0</td> <td>0.000</td> </tr> <tr> <td>TOTAL</td> <td>2.330</td> <td>0.497</td> <td>2.827</td> </tr> </tbody> </table>	CARRY FORWARD INTO 2018/19	Month 4 £m	Month 6 £m	Total £m	Chief Executives - CTC	0	0.035	0.035	Social Care	1.725	0	1.725	Planning & Environment	0.550	0.031	0.581	Transport & Streetscene	0.055	0.376	0.431	Organisational Change 1	0	0.055	0.055	Council Fund	2.330	0.497	2.827	Housing Revenue Account	0	0	0.000	TOTAL	2.330	0.497	2.827
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1.17	<p>Additional Allocations</p> <p>No requests for additional resources have been received in this quarter.</p>																																				
1.18	<p>Savings</p> <p>No savings have been identified in the programme in this quarter.</p>																																				
1.19	<p>Funding of 2017/18 Approved Schemes</p> <p>The position at Outturn is summarised in Table 5 below:-</p> <p>Table 5</p>																																				

FUNDING OF APPROVED SCHEMES

	£m	£m
Surplus from 2016/17	(4.688)	
Allocated to 2017/18 Budget	3.567	(1.121)
Increases		
Shortfall in Capital Programme	3.187	
Impact of Provisional Settlement	0.236	3.423
Decreases		
Actual In year receipts	(1.734)	
Savings		(1.734)
Funding - (Available)/Shortfall		0.567

1.20 The final outturn surplus from 2016/17 was £4.688m. Of this £3.567m was allocated to schemes in 2017/18 as part of the budget setting process.

In addition, schemes put forward for the years 2017/18 - 2019/20 showed a potential shortfall in funding of £3.187m.

The detail behind the above figures can be found in the report 'Council Fund Capital Programme 2017/18 - 2019/20' which was presented to Council on 14th February 2017.

As a result of the Provisional Settlement received on 10th October, 2017, there has been a reduction in Flintshire's capital funding of £0.118m per annum. This has had the effect of reducing available funding assumed when approving the 2017/18 - 2019/20 programme by £0.236m.

Actual in year receipts as at Month 6 amount to £1.734m.

Whilst all funding for 2017/18 schemes is in place, taken as a whole this indicates that there is still a shortfall in the total programme (2017/18 - 2019/20) of £0.567m. The options for funding this were kept flexible. Options included a combination of future capital receipts, alternative grants, prudential borrowing or phasing schemes over several years that would be considered during 2017/18. This will continue to be closely monitored and updates brought in future monitoring reports.

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	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.

5.00	APPENDICES
5.01	Appendix A: Capital Programme - Changes during 2017/18 Appendix B: Variances

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme monitoring papers 2017/18. Contact Officer: Andrew Elford Accountant Telephone: 01352 702291 E-Mail: andrew.j.elford@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Budget Re-profiling: Capital schemes are very dynamic and a number of factors can influence their timing and funding. Budget re-profiling assures that the correct resources are available in the correct accounting period to finance the actual level of expenditure.</p> <p>Capital Expenditure: Expenditure on the acquisition of non-current assets or expenditure which extends the useful life of an existing asset</p> <p>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.</p> <p>Capital Receipts: Receipts (in excess of £10,000) realised from the disposal of assets.</p> <p>Carry Forward: Carry forward occurs when schemes due to be completed in a given financial year are delayed until a subsequent year. In this case</p>

the relevant funding is carried forward to meet the delayed, contractually committed expenditure.

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.

Council Fund (CF): The fund to which all the Council's revenue and capital expenditure is charged.

Housing Revenue Account (HRA): The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.

MRA: Major Repairs Allowance. A general capital grant from WG for HRA purposes.

Non-current Asset: A resource controlled (but not necessarily owned) by the Council, from which economic benefits or service potential are expected to flow to the Council for more than 12 months.

Target Hardening: Measures taken to prevent unauthorised access to Council sites.

Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing - Each year Welsh Government provide Councils with a Supported Borrowing allocation. Councils borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

Unsupported (Prudential) Borrowing: Borrowing administered under the Prudential Code, whereby Authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows Authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.