

CABINET MEETING

Date of Meeting	Tuesday 18 th July 2017
Report Subject	Capital Programme Monitoring 2016/17 (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 summarises changes made to the Capital Programme during the last quarter of 2016/17.

The Capital Programme has seen a net increase of £4.848m during the period.

This is common for the final quarter of the year as funding streams are introduced and budgets re-profiled to match the actual level of expenditure at outturn.

Actual outturn was £63.493m.

Resources available for funding future capital expenditure are currently £5.066m, the whole of which is needed to fund capital schemes from 2017/18 onwards.

RECOMMENDATIONS

(1)	Cabinet are requested to approve the overall report.
(2)	Cabinet are requested to approve the carry forward adjustments set out at 1.12.

REPORT DETAILS

1.00	EXPLAINING THE OUTTURN CAPITAL PROGRAMME MONITORING POSITION- 2016/17																																																																																																																																								
1.01	<p>Background</p> <p>The Council approved a Housing Revenue Account (HRA) capital programme for 2016/17 of £25.933m and a Council Fund (CF) capital programme of £21.143m at its meeting of 16th February, 2016.</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 2016/17. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-</p> <p>Table 1</p> <table border="1" data-bbox="325 958 1380 1697"> <thead> <tr> <th rowspan="3">REVISED PROGRAMME</th> <th rowspan="3">Original Budget 2016/17</th> <th rowspan="3">Carry Forward from 2015/16</th> <th colspan="3">2016/17 Previously Reported</th> <th colspan="2">This Period</th> <th rowspan="3">Revised Budget 2016/17</th> </tr> <tr> <th rowspan="2">Changes</th> <th rowspan="2">Carry Forward to 2017/18</th> <th rowspan="2">Savings</th> <th rowspan="2">Changes</th> <th rowspan="2">Savings</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Chief Executives</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.000</td> </tr> <tr> <td>People & Resources</td> <td>0.250</td> <td>0.143</td> <td>(0.240)</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.153</td> </tr> <tr> <td>Governance</td> <td>0</td> <td>0.249</td> <td>0.590</td> <td>0</td> <td>0</td> <td>0</td> <td>(0.019)</td> <td>0.820</td> </tr> <tr> <td>Education & Youth</td> <td>13.887</td> <td>1.044</td> <td>0.077</td> <td>(0.021)</td> <td>0</td> <td>(0.106)</td> <td>(0.004)</td> <td>14.877</td> </tr> <tr> <td>Social Care</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.391</td> <td>0</td> <td>0.391</td> </tr> <tr> <td>Community & Enterprise</td> <td>3.681</td> <td>0.634</td> <td>1.455</td> <td>0</td> <td>0</td> <td>3.913</td> <td>0</td> <td>9.683</td> </tr> <tr> <td>Planning & Environment</td> <td>0.175</td> <td>0.905</td> <td>0.337</td> <td>(0.721)</td> <td>0</td> <td>0.200</td> <td>0</td> <td>0.896</td> </tr> <tr> <td>Transport & Streetscene</td> <td>2.050</td> <td>0.738</td> <td>3.102</td> <td>(0.372)</td> <td>0</td> <td>0.949</td> <td>0</td> <td>6.467</td> </tr> <tr> <td>Organisational Change 1</td> <td>0</td> <td>0.026</td> <td>0.230</td> <td>0</td> <td>0</td> <td>0.104</td> <td>(0.004)</td> <td>0.356</td> </tr> <tr> <td>Organisational Change 2</td> <td>1.100</td> <td>0.953</td> <td>0.194</td> <td>0</td> <td>0</td> <td>0.167</td> <td>0</td> <td>2.414</td> </tr> <tr> <td>Council Fund Total</td> <td>21.143</td> <td>4.692</td> <td>5.745</td> <td>(1.114)</td> <td>0.000</td> <td>5.618</td> <td>(0.027)</td> <td>36.057</td> </tr> <tr> <td>Housing Revenue Account Total</td> <td>25.933</td> <td>1.500</td> <td>2.178</td> <td>0</td> <td>0</td> <td>0.300</td> <td>0</td> <td>29.911</td> </tr> <tr> <td>Programme Total</td> <td>47.076</td> <td>6.192</td> <td>7.923</td> <td>(1.114)</td> <td>0.000</td> <td>5.918</td> <td>(0.027)</td> <td>65.968</td> </tr> </tbody> </table>	REVISED PROGRAMME	Original Budget 2016/17	Carry Forward from 2015/16	2016/17 Previously Reported			This Period		Revised Budget 2016/17	Changes	Carry Forward to 2017/18	Savings	Changes	Savings	£m	£m	£m	£m	£m	Chief Executives	0	0	0	0	0	0	0	0.000	People & Resources	0.250	0.143	(0.240)	0	0	0	0	0.153	Governance	0	0.249	0.590	0	0	0	(0.019)	0.820	Education & Youth	13.887	1.044	0.077	(0.021)	0	(0.106)	(0.004)	14.877	Social Care	0	0	0	0	0	0.391	0	0.391	Community & Enterprise	3.681	0.634	1.455	0	0	3.913	0	9.683	Planning & Environment	0.175	0.905	0.337	(0.721)	0	0.200	0	0.896	Transport & Streetscene	2.050	0.738	3.102	(0.372)	0	0.949	0	6.467	Organisational Change 1	0	0.026	0.230	0	0	0.104	(0.004)	0.356	Organisational Change 2	1.100	0.953	0.194	0	0	0.167	0	2.414	Council Fund Total	21.143	4.692	5.745	(1.114)	0.000	5.618	(0.027)	36.057	Housing Revenue Account Total	25.933	1.500	2.178	0	0	0.300	0	29.911	Programme Total	47.076	6.192	7.923	(1.114)	0.000	5.918	(0.027)	65.968
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1.04	<p>Carry Forward from 2015/16</p> <p>Carry forward sums from 2015/16 to 2016/17, totalling £6.192m (CF £4.692m, HRA £1.500m), were approved by Cabinet.</p>																																																																																																																																								

Changes during this period

1.05

Changes during this period have resulted in a net increase in the programme total of £5.918m (CF £5.618m, HRA £0.300m). A summary of the changes, showing major items, is shown in Table 2 below:-

Table 2

CHANGES DURING THIS PERIOD	
	£m
<u>COUNCIL FUND</u>	
Increases	
Loan to NEW Homes for Flint affordable housing scheme	3.409
Intermediate Care Fund - Introduction of funding for works at Arosfa	0.391
Increase in Private Sector Renewal/Improv't works - funded by CERA	0.385
Street Lighting improvement scheme - funded by Salix loan	0.350
Highways - increased expenditure on resurfacing - funded by CERA	0.350
Admin Buildings - increased expenditure on H&S and Target Hardening	0.213
Other Aggregate Increases	0.933
	6.031
Decreases	
21C Schools - reduced expenditure - Pru borrowing budget reprofiled to match expenditure	(0.241)
Other Aggregate Decreases	(0.172)
	(0.413)
Total	5.618
<u>HRA</u>	
Increases	
Increase in works to empty properties (voids) - funded by CERA	1.312
Increase in installation of PV Panels - funded by CERA	0.366
Other Aggregate Increases	0.375
	2.053
Decreases	
Whole House works reduced expenditure - reprofile of Pru Borrowing budget	(1.690)
Other Aggregate Decreases	(0.063)
	(1.753)
Total	0.300

1.06

During the final quarter of the year there are a number of adjustments made to schemes that are funded from grants, revenue contributions to fund capital expenditure (CERA) 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 final quarter the Council issued the first instalment of the agreed loan to NEW Homes for the construction of affordable housing at 'The Walks' scheme in Flint of £3.409m. The payment to NEW Homes, in accounting terms, qualifies as capital expenditure and therefore is included within the capital programme monitoring report. Further, more detailed information can be found in the 'Minimum Revenue Provision and Prudential Indicators - Policy Amendments' report to Council on 14 th June 2016.																																																																																																									
1.08	During the year Portfolios will have purchased equipment which in accounting terms 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 various equipment including gym and CCTV equipment purchased during 2016/17 which has been added to the capital programme at outturn.																																																																																																									
1.09	<p>Capital Expenditure compared to Budget</p> <p>Outturn expenditure across the whole of the capital programme was £63.493m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 96.25% of the budget has been spent (CF 93.14%, HRA 100%). Corresponding figures for Outturn 2015/16 were 97.02% (CF 95.59%, HRA 100%).</p>																																																																																																									
1.10	<p>The table also shows an underspend (pending carry forward adjustments) of £2.475m on the Council Fund and a break even position on the HRA.</p> <p>Table 3</p> <table border="1" data-bbox="331 1227 1374 2063"> <thead> <tr> <th data-bbox="339 1238 751 1384">EXPENDITURE</th> <th data-bbox="751 1238 903 1384">Revised Budget</th> <th data-bbox="903 1238 1050 1384">Outturn Expenditure</th> <th data-bbox="1050 1238 1209 1384">Percentage Spend v Budget</th> <th data-bbox="1209 1238 1369 1384">Variance Budget v Outturn (Under)/Over</th> </tr> <tr> <td></td> <th data-bbox="751 1384 903 1395">£m</th> <th data-bbox="903 1384 1050 1395">£m</th> <th data-bbox="1050 1384 1209 1395">%</th> <th data-bbox="1209 1384 1369 1395">£m</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 1395 751 1417">Chief Executives</td> <td data-bbox="751 1395 903 1417">0</td> <td data-bbox="903 1395 1050 1417">0</td> <td data-bbox="1050 1395 1209 1417">0</td> <td data-bbox="1209 1395 1369 1417">0</td> </tr> <tr> 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1.11	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 2017/18 has been identified, this is also included in the narrative.																																																																																										
1.12	<p>Carry Forward into 2017/18</p> <p>During the quarter carry forward of £2.475m (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 2017/18.</p>																																																																																										
1.13	<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" data-bbox="323 786 1382 1462"> <thead> <tr> <th rowspan="3">CARRY FORWARD INTO 2017/18</th> <th colspan="5">Previously Reported</th> <th rowspan="3">Outturn £m</th> <th rowspan="3">Total £m</th> </tr> <tr> <th>Month 4</th> <th>Month 6</th> <th>Month 9</th> <th>Reversed</th> <th>Sub Total</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>People & Resources</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.153</td> <td>0.153</td> </tr> <tr> <td>Governance</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.145</td> <td>0.145</td> </tr> <tr> <td>Education & Youth</td> <td>0.012</td> <td>0.004</td> <td>0.005</td> <td>0</td> <td>0.021</td> <td>0.432</td> <td>0.453</td> </tr> <tr> <td>Planning & Environment</td> <td>0</td> <td>0</td> <td>0.733</td> <td>(0.012)</td> <td>0.721</td> <td>0.290</td> <td>1.011</td> </tr> <tr> <td>Transport & Streetscene</td> <td>0.055</td> <td>0</td> <td>0.325</td> <td>(0.008)</td> <td>0.372</td> <td>0.448</td> <td>0.820</td> </tr> <tr> <td>Organisational Change 2</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>1.007</td> <td>1.007</td> </tr> <tr> <td>Council Fund</td> <td>0.067</td> <td>0.004</td> <td>1.063</td> <td>(0.020)</td> <td>1.114</td> <td>2.475</td> <td>3.589</td> </tr> <tr> <td>Housing Revenue Account</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.000</td> </tr> <tr> <td>TOTAL</td> <td>0.067</td> <td>0.004</td> <td>1.063</td> <td>(0.020)</td> <td>1.114</td> <td>2.475</td> <td>3.589</td> </tr> </tbody> </table>	CARRY FORWARD INTO 2017/18	Previously Reported					Outturn £m	Total £m	Month 4	Month 6	Month 9	Reversed	Sub Total	£m	£m	£m	£m	£m	People & Resources	0	0	0	0	0	0.153	0.153	Governance	0	0	0	0	0	0.145	0.145	Education & Youth	0.012	0.004	0.005	0	0.021	0.432	0.453	Planning & Environment	0	0	0.733	(0.012)	0.721	0.290	1.011	Transport & Streetscene	0.055	0	0.325	(0.008)	0.372	0.448	0.820	Organisational Change 2	0	0	0	0	0	1.007	1.007	Council Fund	0.067	0.004	1.063	(0.020)	1.114	2.475	3.589	Housing Revenue Account	0	0	0	0	0	0	0.000	TOTAL	0.067	0.004	1.063	(0.020)	1.114	2.475	3.589
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1.14	In some circumstances amounts which have previously been identified as carry forward are reversed as it becomes clear that the expenditure is going to be incurred in the current financial year. These are shown in the column 'Reversed' above.																																																																																										
1.15	If approved this will bring the total amount carried forward into 2017/18 to £3.589m (£6.192m in 2015/16). This represents a significant reduction on the previous year (5.44% of the total programme as against 9.84% in 2015/16), and is further evidence of the continued scrutiny of the programme by both Officers and Members.																																																																																										
1.16	<p>Additional Allocations</p> <p>No additional requests for resources have been received in this quarter.</p>																																																																																										

1.17	<p>Savings</p> <p>At Outturn minor savings of £0.027m have been identified in the programme. These are shown in Table 5 below.</p> <p>Table 5</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">IDENTIFIED SAVINGS</th> </tr> <tr> <th style="width: 80%;"></th> <th style="text-align: center;">Savings £m</th> </tr> </thead> <tbody> <tr> <td>Information Technology</td> <td style="text-align: right;">(0.019)</td> </tr> <tr> <td>Primary Schools</td> <td style="text-align: right;">(0.004)</td> </tr> <tr> <td>Leisure Centres</td> <td style="text-align: right;">(0.004)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">(0.027)</td> </tr> </tbody> </table>	IDENTIFIED SAVINGS			Savings £m	Information Technology	(0.019)	Primary Schools	(0.004)	Leisure Centres	(0.004)	Total	(0.027)
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Primary Schools	(0.004)												
Leisure Centres	(0.004)												
Total	(0.027)												

1.18	<p>Financing</p> <p>The capital programme is financed as summarised in Table 6 below:-</p> <p>Table 6</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="3" style="text-align: left; vertical-align: bottom;">FINANCING RESOURCES</th> <th style="text-align: center;">General Financing¹</th> <th style="text-align: center;">Specific Financing²</th> <th style="text-align: center;">Total Financing</th> </tr> <tr> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td>Latest Monitoring</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Council Fund</td> <td style="text-align: right;">6.459</td> <td style="text-align: right;">29.598</td> <td style="text-align: right;">36.057</td> </tr> <tr> <td>Housing Revenue Account</td> <td style="text-align: right;">5.050</td> <td style="text-align: right;">24.861</td> <td style="text-align: right;">29.911</td> </tr> <tr> <td>Total Financing Resources</td> <td style="text-align: right;">11.509</td> <td style="text-align: right;">54.459</td> <td style="text-align: right;">65.968</td> </tr> </tbody> </table> <p>1 Supported Borrowing / General Capital Grant / Capital Receipts / MRA 2 Grants & Contributions / CERA / Reserves / Prudential & Other Borrowing</p>	FINANCING RESOURCES	General Financing¹	Specific Financing²	Total Financing	£m	£m	£m	Latest Monitoring				Council Fund	6.459	29.598	36.057	Housing Revenue Account	5.050	24.861	29.911	Total Financing Resources	11.509	54.459	65.968
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1.19	<p>Given the continuing uncertainty over the realisation of asset disposals, no capital receipts were assumed for 2016/17 budget setting purposes. However, any assets realised in year would be available for capital investment (see Sections 1.21 to 1.22 below).</p>
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Funding of 2016/17 Approved Schemes

1.20

The position at Outturn is summarised in Table 7 below:-

Table 7

FUNDING OF APPROVED SCHEMES		
	£m	£m
Surplus from 2015/16		(3.134)
Increases		
Previously Approved	0.955	
		0.955
Decreases		
Actual In year receipts	(2.615)	
Savings	(0.027)	
Unallocated Funding	(0.245)	(2.887)
Funding Available		(5.066)

1.21

The final outturn surplus from 2015/16 was £3.134m (£3.168m as per Outturn report to Cabinet 19 July, 2016).

Actual in year receipts amount to £2.615m, capital funding unallocated remains at £0.245m and savings identified in year amount to £0.027m.

Taken as a whole this indicates that £5.066m is available to fund future capital schemes.

1.22

Portfolios, through their business plans, have identified significant capital investment needed to develop new or reconfigure service business models. Business cases were submitted for consideration and a wide range of schemes have been approved by Council in setting the 2017/18 capital programme. Further information on these approved schemes can be found in the 'Council Fund Capital Programme - 2017/18 - 2019/20' report to Council on 14th February 2017.

£3.567m of accumulated capital receipts (balance available at the time) was used in setting the 2017/18 capital programme. Furthermore, there was a shortfall in funding for approved schemes starting in 2018/19 onwards, the options for the funding of which was kept flexible. Options including a combination of future capital receipts, alternative grants, prudential borrowing or phasing schemes over several years would be considered during 2017/18, and included in future capital programme reports.

The whole of the balance referred to in 1.20 is therefore already earmarked for future schemes.

1.23 Table 8 below was included in the report to Council referred to in 1.22.

Table 8

SUMMARY CAPITAL PROGRAMME 2017/18 - 2019/20

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Expenditure				
Statutory / Regulatory Section	2.726	2.146	2.146	7.018
Retained Assets Section	3.287	2.350	2.350	7.987
Investment Section	3.922	3.488	4.241	11.651
Specific Section	9.500	10.602	2.477	22.579
Total Programme (All Sections)	19.435	18.586	11.214	49.235
Funding				
General Funding	10.201	6.634	6.634	23.469
Grant Funding	2.847	4.116	1.238	8.201
Unsupported (Prudential) Borrowing	6.653	5.406	1.239	13.298
Local Govt Borrowing Initiative - 21st C Schools	0.000	1.080	0.000	1.080
Total Projected Funding	19.701	17.236	9.111	46.048
Surplus / (Shortfall)	0.266	(1.350)	(2.103)	(3.187)

This illustrates that the additional £1.499m of receipts (£5.066m estimated outturn minus £3.567m already allocated) will be used to address part of the £3.187m projected shortfall over the life of the 3 year programme, with the balance (£1.688m) to be met by one of the methods referred to in 1.22 above.

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	There are no risks associated with the information contained herein related to capital outturn.

5.00	APPENDICES
5.01	Appendix A: Capital Programme - Changes during 2016/17
5.02	Appendix B: Variances

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme monitoring papers 2016/17. Contact Officer: Andrew Elford Accountant Telephone: 01352 702291 E-Mail: andrew.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 the relevant funding is carried forward to meet the delayed, contractually committed expenditure.</p> <p>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.</p>

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.