

**CABINET**

<b>Date of Meeting</b>	Tuesday, 26 <sup>th</sup> September 2017
<b>Report Subject</b>	Capital Programme Monitoring 2017/18 (Month 4)
<b>Cabinet Member</b>	Leader of the Council and Cabinet Member for Finance
<b>Report By</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

**EXECUTIVE SUMMARY**

The report summarises changes made to the Capital Programme 2017/18 since it was set in February 2017 to the end of month 4 (July 2017).

The Capital Programme has seen a net increase of £9.659m during the period. This is comprised of:-

- Carry forward, as approved by Cabinet during 2016/17, of £3.589m;
- Additional ADM works of £1.964m;
- Confirmation of Local Transport Grant Allocation of £1.947m;
- Street Lighting works of £1.400m; and
- Other changes during the period of ££0.759m

Actual expenditure was £14.349m.

Whilst all funding for 2017/18 schemes is in place, there is still a shortfall in the total programme (2017/18 - 2019/20) of £0.566m. 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 1.13.
(3)	Cabinet are requested to approve the additional allocation as set out at 1.15.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MONTH 4 CAPITAL PROGRAMME MONITORING POSITION- 2017/18</b>																																																																											
	<b>Background</b>																																																																											
1.01	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 14 <sup>th</sup> February, 2017.																																																																											
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.																																																																											
	<b>Changes since Budget approval</b>																																																																											
1.03	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:-																																																																											
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1.04	<p><b>Carry Forward from 2016/17</b></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	<p><b>Changes during this period</b></p> <p>Changes during this period have resulted in a net increase in the programme total of £6.070m (CF £6.070m, HRA £0.000m). A summary of the changes, detailing major items, is shown in Table 2 below:-</p> <p><b>Table 2</b></p> <table border="1" data-bbox="391 638 1316 1724"> <thead> <tr> <th colspan="2" data-bbox="391 638 1165 728"><b>CHANGES DURING THIS PERIOD</b></th> <th data-bbox="1165 728 1316 795"><b>£m</b></th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="391 795 1165 828"><b><u>COUNCIL FUND</u></b></td> <td></td> </tr> <tr> <td colspan="2" data-bbox="391 828 1165 862"><b>Increases</b></td> <td></td> </tr> <tr> <td data-bbox="391 862 1165 896">ADM - Additional work approved by Cabinet</td> <td></td> <td data-bbox="1165 862 1316 896">1.964</td> </tr> <tr> <td data-bbox="391 896 1165 929">Local Transport Grant - Confirmation of allocation</td> <td></td> <td data-bbox="1165 896 1316 929">1.947</td> </tr> <tr> <td data-bbox="391 929 1165 963">Street Lighting - Introduction of Salix Funding</td> <td></td> <td data-bbox="1165 929 1316 963">1.400</td> </tr> <tr> <td data-bbox="391 963 1165 996">Schools modernisation - Connah's Quay HS Re-profiling of budget</td> <td></td> <td data-bbox="1165 963 1316 996">0.359</td> </tr> <tr> <td data-bbox="391 996 1165 1030">Other Aggregate Increases</td> <td></td> <td data-bbox="1165 996 1316 1030">0.400</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1165 1030 1316 1064">6.070</td> </tr> <tr> <td colspan="2" data-bbox="391 1064 1165 1097"><b>Decreases</b></td> <td></td> </tr> <tr> <td data-bbox="391 1097 1165 1131">Other Aggregate Decreases</td> <td></td> <td data-bbox="1165 1097 1316 1131">0.000</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1165 1131 1316 1164">0.000</td> </tr> <tr> <td data-bbox="391 1164 1165 1198"><b>Total</b></td> <td></td> <td data-bbox="1165 1164 1316 1198"><b>6.070</b></td> </tr> <tr> <td colspan="2" data-bbox="391 1198 1165 1232"><b><u>HRA</u></b></td> <td></td> </tr> <tr> <td colspan="2" data-bbox="391 1232 1165 1265"><b>Increases</b></td> <td></td> </tr> <tr> <td data-bbox="391 1265 1165 1299">Other Aggregate Increases</td> <td></td> <td data-bbox="1165 1265 1316 1299">0.000</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1165 1299 1316 1332">0.000</td> </tr> <tr> <td colspan="2" data-bbox="391 1332 1165 1366"><b>Decreases</b></td> <td></td> </tr> <tr> <td data-bbox="391 1366 1165 1400">Other Aggregate Decreases</td> <td></td> <td data-bbox="1165 1366 1316 1400">0.000</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1165 1400 1316 1433">0.000</td> </tr> <tr> <td data-bbox="391 1433 1165 1467"><b>Total</b></td> <td></td> <td data-bbox="1165 1433 1316 1467"><b>0.000</b></td> </tr> </tbody> </table>	<b>CHANGES DURING THIS PERIOD</b>		<b>£m</b>	<b><u>COUNCIL FUND</u></b>			<b>Increases</b>			ADM - Additional work approved by Cabinet		1.964	Local Transport Grant - Confirmation of allocation		1.947	Street Lighting - Introduction of Salix Funding		1.400	Schools modernisation - Connah's Quay HS Re-profiling of budget		0.359	Other Aggregate Increases		0.400			6.070	<b>Decreases</b>			Other Aggregate Decreases		0.000			0.000	<b>Total</b>		<b>6.070</b>	<b><u>HRA</u></b>			<b>Increases</b>			Other Aggregate Increases		0.000			0.000	<b>Decreases</b>			Other Aggregate Decreases		0.000			0.000	<b>Total</b>		<b>0.000</b>
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1.06	<p>At its meeting on 18th July 2017, Cabinet approved additional expenditure on new health &amp; fitness facilities and changing spaces at both Mold Leisure Centre and Jade Jones Pavilion in order to assist Aura Leisure &amp; Libraries ADM in generating additional income. This is to be funded from Prudential Borrowing but offset by a reduction in the funding provided to Aura, resulting in a nil cost to the Council.</p>																																																															
1.07	<p>It is usual in the early part of the financial year to receive notification of</p>																																																															

funding allocations that were not available at budget setting time. This is the case with both the Local Transport Grant and Salix funding for Street Lighting.

1.08 As part of the overall funding for Band A schemes, budgets have been re-profiled to fund expenditure at Connah's Quay High School.

1.09 **Capital Expenditure compared to Budget**  
Expenditure as at Month 4, across the whole of the capital programme was £14.349m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 25.25% of the budget has been spent (CF 13.77%, HRA 37.28%). Corresponding figures for Month 4 2016/17 were 30.05% (CF 35.50%, HRA 24.58%).

1.10 The table also shows an underspend (pending carry forward and other adjustments) of £2.156m on the Council Fund and an overspend of £3.219m on the HRA.

**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	0.100	0	0.00	0.100	0
People & Resources	0.403	0	0.00	0.403	0
Governance	0.765	0	0.00	0.765	0
Education & Youth	8.857	1.617	18.26	8.857	0
Social Care	2.145	0.048	0.00	0.444	(1.701)
Community & Enterprise	5.044	0.957	18.97	5.044	0
Planning & Environment	1.058	0.126	11.87	0.508	(0.550)
Transport & Streetscene	6.277	0.775	12.34	6.372	0.095
Organisational Change 1	2.588	0.175	6.77	2.588	0
Organisational Change 2	1.857	0.309	16.64	1.857	0
<b>Council Fund Total</b>	<b>29.094</b>	<b>4.006</b>	<b>13.77</b>	<b>26.938</b>	<b>(2.156)</b>
Disabled Adaptations	1.030	0.198	19.22	1.030	0
Energy Schemes	0.500	0.141	28.20	0.500	0
Major Works	1.472	0.968	65.76	1.972	0.500
Accelerated Programmes	0.450	0.315	70.00	0.450	0
WHQS Improvements	16.588	7.168	43.21	16.088	(0.500)
SHARP Programme	7.704	1.553	20.16	10.923	3.219
<b>Housing Revenue Account Total</b>	<b>27.744</b>	<b>10.343</b>	<b>37.28</b>	<b>30.963</b>	<b>3.219</b>
<b>Programme Total</b>	<b>56.838</b>	<b>14.349</b>	<b>25.25</b>	<b>57.901</b>	<b>1.063</b>

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 2018/19 has been identified, this is also included in the narrative.																					
1.12	Although Table 3 appears to show an overspend of £3.219m for the SHARP programme, this is due to the re-profiling of expenditure and Prudential Borrowing from 2016/17 and therefore budget will be introduced to match this expenditure prior to the Month 6 Monitoring Report.																					
	<b>Carry Forward into 2018/19</b>																					
1.13	During the quarter carry forward of £2.330m (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.																					
1.14	Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:-  <b>Table 4</b>  <table border="1" data-bbox="400 898 1305 1411"> <thead> <tr> <th><b>CARRY FORWARD INTO 2018/19</b></th> <th><b>Month 4 £m</b></th> <th><b>Total £m</b></th> </tr> </thead> <tbody> <tr> <td>Social Care</td> <td>1.725</td> <td>1.725</td> </tr> <tr> <td>Planning &amp; Environment</td> <td>0.550</td> <td>0.550</td> </tr> <tr> <td>Transport &amp; Streetscene</td> <td>0.055</td> <td>0.055</td> </tr> <tr> <td><b>Council Fund</b></td> <td><b>2.330</b></td> <td><b>2.330</b></td> </tr> <tr> <td><b>Housing Revenue Account</b></td> <td><b>0.000</b></td> <td><b>0.000</b></td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>2.330</b></td> <td><b>2.330</b></td> </tr> </tbody> </table>	<b>CARRY FORWARD INTO 2018/19</b>	<b>Month 4 £m</b>	<b>Total £m</b>	Social Care	1.725	1.725	Planning & Environment	0.550	0.550	Transport & Streetscene	0.055	0.055	<b>Council Fund</b>	<b>2.330</b>	<b>2.330</b>	<b>Housing Revenue Account</b>	<b>0.000</b>	<b>0.000</b>	<b>TOTAL</b>	<b>2.330</b>	<b>2.330</b>
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	<b>Additional Allocations</b>																					
1.15	Due to a landslip on the B5101 in Frith, emergency repairs are required to allow the road to re-open. It is requested that £0.150m of the current headroom provision of £0.260m be allocated to fund this.																					
	<b>Savings</b>																					
1.16	No savings have been identified in the programme in this quarter.																					
	<b>Funding of 2017/18 Approved Schemes</b>																					

1.17 The position at Outturn is summarised in Table 5 below:-

**Table 5**

<b>FUNDING OF APPROVED SCHEMES</b>		
	£m	£m
<b>Surplus from 2016/17</b>	(4.688)	
<b>Assumed in 2017/18 Budget</b>	3.567	<b>(1.121)</b>
<b>Increases</b>		
Shortfall in Capital Programme	3.187	
		3.187
<b>Decreases</b>		
Actual In year receipts	(1.499)	
Savings		(1.499)
<b>Funding - (Available)/Shortfall</b>		<b>0.566</b>

1.18 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 14<sup>th</sup> February 2017.

Actual in year receipts as at Month 4 amount to £1.499m.

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 £0.566m. 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.

<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.
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<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.

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

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Capital Programme monitoring papers 2017/18.  <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>
7.01	<p><b>Budget Re-profiling:</b> 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><b>Capital Expenditure:</b> Expenditure on the acquisition of <b>non-current assets</b> or expenditure which extends the useful life of an existing asset</p> <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>Capital Receipts:</b> Receipts (in excess of £10,000) realised from the disposal of assets.</p> <p><b>Carry Forward:</b> 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</p>

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.