

## CABINET

<b>Date of Meeting</b>	Tuesday, 17 <sup>th</sup> July 2018
<b>Report Subject</b>	Capital Programme Monitoring 2017/18 (Outturn)
<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 during the last quarter of 2017/18.

The total Capital Programme at outturn is £59.143m, a net decrease of £0.279m compared to Month 9 (£59.422m). This change is made up as follows:-

- Increases in the programme of £2.836m (Council Fund £2.159m, Housing Revenue Account £0.677m);
- Offset by Carry Forward to 2018/19 of £1.289m approved by Cabinet at Month 9;
- Offset by Carry Forward to 2018/19 of £1.826m of late Welsh Government grant funded expenditure.

Actual outturn was £57.380m. This indicates an apparent underspend of £1.763m, however this entire amount is the subject of requests for carry forward into 2018/19.

The outturn position on funding was an overspend of £0.068m against confirmed resources. This is because the Council received late Welsh Government grant funding which was used, in part, to replace funding from revenue, which created an underspend against revenue budget in 2017/18. The Council will now fund an equivalent amount of capital expenditure in 2018/19 from capital receipts.

### 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 – 1.15.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE OUTTURN CAPITAL PROGRAMME MONITORING POSITION- 2017/18</b>																																																																																																						
1.01	<p><b>Background</b></p> <p>The Council approved a Council Fund (CF) capital programme of £19.435m and a Housing Revenue Account (HRA) capital programme of £27.744m for 2017/18 at its meeting of 14<sup>th</sup> February, 2017.</p>																																																																																																						
1.02	<p>For presentational purposes the capital programme is shown as a whole, with sub-totals for the CF and HRA. In reality the HRA programme is ring fenced and can only be used for HRA purposes.</p>																																																																																																						
1.03	<p><b>Changes since Budget approval</b></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><b>Table 1</b></p> <table border="1"> <thead> <tr> <th rowspan="3">REVISED PROGRAMME</th> <th rowspan="3">Original Budget 2017/18 £m</th> <th rowspan="3">Carry Forward from 2016/17 £m</th> <th colspan="2">2017/18 Previously</th> <th rowspan="3">Changes - This Period £m</th> <th rowspan="3">Revised Budget 2017/18 £m</th> </tr> <tr> <th>Changes</th> <th>Carry Forward to 2018/19</th> </tr> <tr> <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>(0.088)</td> <td>0.032</td> <td>0.044</td> </tr> <tr> <td>People &amp; Resources</td> <td>0.250</td> <td>0.153</td> <td>(0.150)</td> <td>0</td> <td>(0.020)</td> <td>0.233</td> </tr> <tr> <td>Governance</td> <td>0.620</td> <td>0.145</td> <td>0.000</td> <td>0</td> <td>0.423</td> <td>1.188</td> </tr> <tr> <td>Education &amp; Youth</td> <td>7.792</td> <td>0.453</td> <td>0.671</td> <td>(0.285)</td> <td>0.011</td> <td>8.642</td> </tr> <tr> <td>Social Care</td> <td>2.145</td> <td>0</td> <td>0.023</td> <td>(1.725)</td> <td>0.054</td> <td>0.497</td> </tr> <tr> <td>Community &amp; Enterprise</td> <td>5.044</td> <td>0</td> <td>0.580</td> <td>(0.363)</td> <td>0.873</td> <td>6.134</td> </tr> <tr> <td>Planning &amp; Environment</td> <td>0.000</td> <td>1.011</td> <td>0.153</td> <td>(0.581)</td> <td>0.432</td> <td>1.015</td> </tr> <tr> <td>Transport &amp; Streetscene</td> <td>2.110</td> <td>0.820</td> <td>6.441</td> <td>(2.845)</td> <td>1.747</td> <td>8.273</td> </tr> <tr> <td>Organisational Change 1</td> <td>0.524</td> <td>0</td> <td>2.362</td> <td>0</td> <td>(1.417)</td> <td>1.469</td> </tr> <tr> <td>Organisational Change 2</td> <td>0.850</td> <td>1.007</td> <td>0.050</td> <td>(0.055)</td> <td>0.024</td> <td>1.876</td> </tr> <tr> <td><b>Council Fund Total</b></td> <td><b>19.435</b></td> <td><b>3.589</b></td> <td><b>10.130</b></td> <td><b>(5.942)</b></td> <td><b>2.159</b></td> <td><b>29.371</b></td> </tr> <tr> <td><b>HRA Total</b></td> <td><b>27.744</b></td> <td><b>0</b></td> <td><b>1.351</b></td> <td><b>0</b></td> <td><b>0.677</b></td> <td><b>29.772</b></td> </tr> <tr> <td><b>Programme Total</b></td> <td><b>47.179</b></td> <td><b>3.589</b></td> <td><b>11.481</b></td> <td><b>(5.942)</b></td> <td><b>2.836</b></td> <td><b>59.143</b></td> </tr> </tbody> </table>	REVISED PROGRAMME	Original Budget 2017/18 £m	Carry Forward from 2016/17 £m	2017/18 Previously		Changes - This Period £m	Revised Budget 2017/18 £m	Changes	Carry Forward to 2018/19	£m	£m	Chief Executives	0.100	0	0	(0.088)	0.032	0.044	People & Resources	0.250	0.153	(0.150)	0	(0.020)	0.233	Governance	0.620	0.145	0.000	0	0.423	1.188	Education & Youth	7.792	0.453	0.671	(0.285)	0.011	8.642	Social Care	2.145	0	0.023	(1.725)	0.054	0.497	Community & Enterprise	5.044	0	0.580	(0.363)	0.873	6.134	Planning & Environment	0.000	1.011	0.153	(0.581)	0.432	1.015	Transport & Streetscene	2.110	0.820	6.441	(2.845)	1.747	8.273	Organisational Change 1	0.524	0	2.362	0	(1.417)	1.469	Organisational Change 2	0.850	1.007	0.050	(0.055)	0.024	1.876	<b>Council Fund Total</b>	<b>19.435</b>	<b>3.589</b>	<b>10.130</b>	<b>(5.942)</b>	<b>2.159</b>	<b>29.371</b>	<b>HRA Total</b>	<b>27.744</b>	<b>0</b>	<b>1.351</b>	<b>0</b>	<b>0.677</b>	<b>29.772</b>	<b>Programme Total</b>	<b>47.179</b>	<b>3.589</b>	<b>11.481</b>	<b>(5.942)</b>	<b>2.836</b>	<b>59.143</b>
REVISED PROGRAMME	Original Budget 2017/18 £m				Carry Forward from 2016/17 £m	2017/18 Previously			Changes - This Period £m	Revised Budget 2017/18 £m																																																																																													
						Changes					Carry Forward to 2018/19																																																																																												
		£m	£m																																																																																																				
Chief Executives	0.100	0	0	(0.088)	0.032	0.044																																																																																																	
People & Resources	0.250	0.153	(0.150)	0	(0.020)	0.233																																																																																																	
Governance	0.620	0.145	0.000	0	0.423	1.188																																																																																																	
Education & Youth	7.792	0.453	0.671	(0.285)	0.011	8.642																																																																																																	
Social Care	2.145	0	0.023	(1.725)	0.054	0.497																																																																																																	
Community & Enterprise	5.044	0	0.580	(0.363)	0.873	6.134																																																																																																	
Planning & Environment	0.000	1.011	0.153	(0.581)	0.432	1.015																																																																																																	
Transport & Streetscene	2.110	0.820	6.441	(2.845)	1.747	8.273																																																																																																	
Organisational Change 1	0.524	0	2.362	0	(1.417)	1.469																																																																																																	
Organisational Change 2	0.850	1.007	0.050	(0.055)	0.024	1.876																																																																																																	
<b>Council Fund Total</b>	<b>19.435</b>	<b>3.589</b>	<b>10.130</b>	<b>(5.942)</b>	<b>2.159</b>	<b>29.371</b>																																																																																																	
<b>HRA Total</b>	<b>27.744</b>	<b>0</b>	<b>1.351</b>	<b>0</b>	<b>0.677</b>	<b>29.772</b>																																																																																																	
<b>Programme Total</b>	<b>47.179</b>	<b>3.589</b>	<b>11.481</b>	<b>(5.942)</b>	<b>2.836</b>	<b>59.143</b>																																																																																																	
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>																																																																																																						

Changes during this period have resulted in a net increase in the programme total of £2.836m (CF £2.159m, HRA £0.677m). A summary of the changes, detailing major items, is shown in Table 2 below:-

**Table 2**

<b>CHANGES DURING THIS PERIOD</b>		
	<b>Para</b>	<b>£m</b>
<b><u>COUNCIL FUND</u></b>		
<b>Increases</b>		
Highways - WG Grant Funding	1.06	1.427
Information Technology - Equipment Purchase	1.08	0.423
Highways - Introduction of funding to match expenditure	1.07	0.407
Private Sector Renewal - WG Grant Funding	1.06	0.363
Secondary Schools - Equipment Purchase	1.08	0.348
Contaminated Land - Introduction of Grant Funding	1.07	0.221
Other Aggregate Increases	1.07	1.325
		4.514
<b>Decreases</b>		
Leisure Centres - Reduction in borrowing as schemes reprofiled	1.07	(1.490)
Waste CCP Grant - Reduction in use to match expenditure	1.07	(0.400)
Other Aggregate Decreases		(0.465)
		(2.355)
<b>Total</b>		<b>2.159</b>
<b><u>HRA</u></b>		
<b>Increases</b>		
Other Aggregate Increases	1.07	2.528
		2.528
<b>Decreases</b>		
Other Aggregate Decreases	1.07	(1.851)
		(1.851)
<b>Total</b>		<b>0.677</b>

1.06 Late on in the final quarter the Council was allocated additional WG grant funding amounting to £1.826m - Road Refurbishment Grant £1.427m, Period Poverty £0.036m and Intermediate Care Fund (ICF) £0.415m. Of the ICF allocation £0.052m was used to address an in-year overspend, leaving a balance of £0.363m to be carried forward.

Part of the Grant Condition letters from the relevant WG officials state:-

“I recognise that the allocation is coming very late in the year for you to make the necessary arrangements to spend within this financial year. Therefore

	<p>I would encourage you to use the allocation in the best way you can now and commit to using a matching sum in the 2018/19 financial year to address the issues for which the allocation was made.”</p> <p>Because this funding was used to replace the Council’s resources it resulted in a reduced need to fund capital expenditure from revenue (CERA) leading to a reduced revenue spend for the relevant Portfolios. Further information can be found in the Revenue Budget Monitoring 2017/18 (Outturn) report elsewhere on this agenda.</p>
1.07	<p>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.</p>
1.08	<p>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 items purchased during 2017/18 which has been added to the capital programme at outturn. These items comprised IT equipment (both corporate and in schools), lighting at Theatr Clwyd and Ice Rink equipment at Deeside Leisure Centre.</p>
1.09	<p><b>Capital Expenditure compared to Budget</b></p> <p>Outturn expenditure, across the whole of the capital programme was £57.380m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 97.02% of the budget has been spent (CF 94.00%, HRA 100.00%). Corresponding figures for Outturn 2016/17 were 96.25% (CF 93.14%, HRA 100.00%).</p>
1.10	<p>The table also shows an underspend (pending carry forward adjustments) of £1.763m on the Council Fund and a break even position on the HRA.</p> <p><b><u>Table 3</u></b></p>

EXPENDITURE	Revised Budget	Outturn Expenditure	Percentage Spend v Budget	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m
	Chief Executives	0.044	0.043	96.92
People & Resources	0.233	0	0.00	(0.233)
Governance	1.188	1.120	94.29	(0.068)
Education & Youth	8.642	8.542	98.84	(0.100)
Social Care	0.497	0.417	83.99	(0.080)
Community & Enterprise	6.134	6.134	99.99	(0.000)
Planning & Environment	1.015	0.932	91.83	(0.083)
Transport & Streetscene	8.273	8.273	100.00	0.000
Organisational Change 1	1.469	1.105	75.20	(0.364)
Organisational Change 2	1.876	1.042	55.56	(0.834)
<b>Council Fund Total</b>	<b>29.371</b>	<b>27.608</b>	<b>94.00</b>	<b>(1.763)</b>
Disabled Adaptations	0.712	0.712	100.01	0.000
Energy Schemes	0.292	0.291	99.75	(0.001)
Major Works	2.628	2.629	100.02	0.001
Accelerated Programmes	0.868	0.868	99.99	(0.000)
WHQS Improvements	17.692	17.692	100.00	(0.000)
SHARP Programme	7.580	7.580	100.01	0.000
<b>Housing Revenue Account Total</b>	<b>29.772</b>	<b>29.772</b>	<b>100.00</b>	<b>0.000</b>
<b>Programme Total</b>	<b>59.143</b>	<b>57.380</b>	<b>97.02</b>	<b>(1.763)</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 **Carry Forward into 2018/19**

During the quarter carry forward of £1.763m (all CF) has been identified which reflects reviewed spending plans across all programme areas; these amounts can be split into 2 areas, those required to meet the cost of committed programme works and/or retention payments in 2018/19 and Corporate provisions that are allocated as requested and approved.

1.13 The Corporate provisions are as follows:-

- Health & Safety - A sum set aside for urgent health and safety works for which no other funding is available;
- Headroom - A sum set aside for urgent works for which no other funding is available; and
- Community Asset Transfers - Community groups have a number of years to draw down their funding once approved. These sums are set aside to ensure that funds are available when called upon.

1.14 A breakdown is provided in Table 4 below, whilst additional information can be found in Appendix B.

**Table 4**

**OUTTURN CARRY FORWARD - ANALYSIS**

	£m	£m
<b>Contractually Committed</b>		
Theatr Clwyd	0.001	
Governance	0.068	
Primary Schools	0.037	
Secondary Schools	0.018	
Special Education	0.045	
Learning Disability	0.010	
Childrens Services	0.070	
Engineering	0.083	
Leisure Centres	0.254	
Libraries	0.110	
Administrative Buildings	0.079	0.775
		<b>0.775</b>
<b>Corporate Allocations</b>		
Health & Safety Works	0.123	
Headroom	0.110	
Community Asset Transfers	0.755	0.988
		<b>1.763</b>

1.15

If approved, this will bring the total Carry Forward from 2017/18 into 2018/19 to £7.705m (£3.589m in 2016/17). Whilst this is a significant increase on the previous year (13.03% of the total programme as against 5.44% in 2016/17), there are a number of significant items which have contributed to this:-

- Late WG grants - £1.826m;
- Glanrafon LD day centre - £1.725m;
- Sandycroft HRC site - £1.000m; and
- CATS - £0.755m

A breakdown of this amount by Portfolio is summarised in Table 5 below:-

**Table 5**

CARRY FORWARD INTO 2018/19	Previously Reported						Outturn £m	Total £m
	Month 4	Month 6	Month 9	Reversed	WG Grants	Sub Total		
	£m	£m	£m	£m	£m	£m		
Chief Executives		0.035	0.053			0.088	0.001	0.089
People & Resources						0	0.233	0.233
Governance						0	0.068	0.068
Education & Youth			0.249		0.036	0.285	0.100	0.385
Social Care	1.725					1.725	0.080	1.805
Community & Enterprise					0.363	0.363		0.363
Planning & Environment	0.550	0.031				0.581	0.083	0.664
Transport & Streetscene	0.055	0.376	1.000	(0.013)	1.427	2.845		2.845
Organisational Change 1						0	0.364	0.364
Organisational Change 2		0.055				0.055	0.834	0.889
<b>Council Fund</b>	<b>2.330</b>	<b>0.497</b>	<b>1.302</b>	<b>(0.013)</b>	<b>1.826</b>	<b>5.942</b>	<b>1.763</b>	<b>7.705</b>
Housing Revenue Account	0	0	0	0	0	0	0	0.000
<b>TOTAL</b>	<b>2.330</b>	<b>0.497</b>	<b>1.302</b>	<b>(0.013)</b>	<b>1.826</b>	<b>5.942</b>	<b>1.763</b>	<b>7.705</b>

#### 1.16 Funding of 2017/18 Approved Schemes

The actual outturn position was a deficit of £0.068m, as shown in Table 6 below:-

**Table 6**

FUNDING OF APPROVED SCHEMES - OUTTURN		
	£m	£m
<b>Capital Receipts as at 31/03/18</b>		(11.261)
Carry Forward previously approved	5.942	
Outturn Carry Forward	1.763	7.705
		<b>(3.556)</b>
<b>Allocated to 2018/19 Budget:</b>		
Shortfall in 2017/18 to 2019/20 budget	3.187	
Funding for Final Settlement reduction	0.236	
Surplus as at Month 9	0.201	3.624
<b>Funding - (Available)/Shortfall</b>		<b>0.068</b>

1.17 The reason for the small negative closing balance is that whilst those schemes which were to be funded from CERA had a positive in year revenue effect, it means that the capital expenditure in 2018/19 will need to be met from the available capital receipts balance. Despite this, funding is now in place for all schemes approved as part of the 2017/18 budget round,

	including the allocations for 2018/19 and 2019/20.
--	--

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications - As set out in the body of the 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	There are no risks associated with the information contained herein related to capital outturn.

<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	<p>Capital Programme monitoring papers 2017/18.</p> <p><b>Contact Officer:</b> Andrew Elford Accountant</p> <p><b>Telephone:</b> 01352 702291</p> <p><b>E-Mail:</b> <a href="mailto:andrew.j.elford@flintshire.gov.uk">andrew.j.elford@flintshire.gov.uk</a></p>

<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</p>

programme.

**Capital Receipts:** Receipts (in excess of £10,000) realised from the disposal of assets.

**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.

**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.

**Section 106:** Monies are received from developers/contractors pursuant to Section 106 of the Town & Country Planning Act 1990. These sums are available for use once the relevant terms of the individual agreement have been met. The monies are most commonly used for educational enhancement, play areas, highways and affordable housing.

**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.