

# **Report to Finance and Performance Management Scrutiny Panel**

**Date of meeting: 10 June 2010**

**Subject: Provisional Capital Outturn 2009/10**

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## **Recommendations/Decisions Required:**

- (1) That the provisional outturn report for 2009/10 be noted;
- (2) That retrospective approval for the over and underspends in 2009/10 on certain capital schemes as identified in the report is recommended to Cabinet;
- (3) That approval for the carry forward of unspent capital estimates into 2010/11 relating to schemes on which slippage has occurred is recommended to Cabinet;
- (4) That retrospective approval for the funding of the capital programme in 2009/10 is recommended to Cabinet.

## **Executive Summary:**

This report sets out the Council's capital programme for 2009/10, in terms of expenditure and financing, and compares the actual outturn figures with the revised estimates. The revised estimates represent those agreed at Cabinet on 1 February 2010, which were based on the Capital Strategy adopted by Council on 22 December 2009.

Appendix 1 summarises the Council's overall capital expenditure in 2009/10, analysed by portfolio, while appendices 2 and 3 identify the expenditure on individual schemes. Variations from revised estimates are shown in the third column of each appendix and these are identified as savings, overspends, carry forwards or brought forwards on a scheme-by-scheme basis in appendices 2 and 3. The carry forwards and brought forwards represent changes in the timing and phasing of schemes and the movement of estimates between financial years rather than amendments to total scheme estimates.

An analysis of the funds used to finance the Council's capital expenditure in 2009/10 is also given in appendix 1, detailing the use of government grants, private funding, capital receipts and revenue contributions to capital outlay. The generation and use of capital receipts and Major Repairs Fund resources in 2009/10 are detailed in appendix 4.

## **Reason for decision:**

The funding approvals requested are intended to make best use of the Council's capital resources that are available to finance the Capital Programme.

## **Options considered and rejected:**

The HRA capital expenditure in 2009/10 could have been financed partly from the use of usable capital receipts. This option was rejected because the Revenue Contributions to Capital Outlay (RCCO) level suggested in this report is affordable within the HRA, according to current predictions, and any use of usable capital receipts for HRA purposes would have the effect of reducing scarce capital resources available for the General Fund.

## **Report:**

### **Capital Expenditure**

1. The overall position in 2009/10 was that a total of £13,222,000 was spent on capital schemes, compared to a revised estimate of £14,206,000. This represents an underspend of £984,000 or 7% on the Council's revised capital budget. In 2009/10 there was a small overspend on HRA schemes overall, which served to slightly offset the underspend on the General Fund. Expenditure on General Fund projects totalled £4,945,000, which was £1,118,000 or 18% less than anticipated, whilst expenditure on the HRA totalled £8,277,000, which was £134,000 or 2% more than anticipated.

2. The majority of the underspends on General Fund schemes relate to slippage of expenditure, although there were also savings on some schemes. The overspend on the HRA was made up of a number of over and underspends on different areas of capital investments. Appendices 2 and 3 give details of the individual projects where slippage, savings, brought forwards and overspends have occurred.

3. With regard to the General Fund, all schemes were underspent apart from one; the Neopost Bar Code Reader. This was purchased late in the financial year when a £5,300 grant was received from the DCLG for Council Tax Administration. Within the non-housing Capital Programme, only one individual scheme was underspent by more than £100,000. This was the Waste Management Vehicles and Equipment capital provision for the new food and recycling system; all new vehicles have been purchased as well as the new bins and caddies originally planned. It is proposed that the £138,000 underspend is carried forward to 2010/11 in order to extend the provision of new bins and recycling containers to flats, schools, places of worship, village halls etc.

4. The Civic Office Works budget was underspent by a total of £127,000; this being spread over a total of 12 schemes. Most of these schemes were not due to be completed until 2010/11 anyway, but more slippage was experienced than was anticipated.

5. The construction works for restoration and remediation at the former landfill site at Bobbingworth have been completed by Veolia Environmental Services Limited and the final account agreed. A separate detailed report will be presented to Cabinet, as required by Contract Standing Orders. The total budget for the scheme approved to date is £2,492,000, excluding the £20,000 contribution from Essex County Council for the planting. Expenditure to 31 March 2010 is £2,413,000; this leaves £79,000 to carry forward to 2010/11. There are other estimated additional costs of £41,000 for planned works and professional fees. These additional works are outside the Council's contract for remediation works with Veolia and will be carried out by other suppliers. It is proposed that any remaining savings be retained within the budget to cover any outstanding works required by Essex County Council and enable officers to establish whether on-going CSB savings can be achieved by purchasing maintenance equipment with some of these savings, for example a tractor or other grass cutting accessories. A report will be presented to Cabinet in the near future.

6. The Loughton Broadway town centre enhancement scheme is now complete and a report was presented to Cabinet on 1 February 2010. This report identified a saving of £595,000 over the scheme as a whole, and also allocated a sum of £100,000 from the saving to provide for the installation of new and improved CCTV systems. A saving of £53,000 has

been identified from the 2009/10 allocation and the remainder will be applied to the 2010/11 allocation.

7. Two externally funded schemes were underspent by a sum of £64,000 each last year. One was the capital improvements works at North Weald Airfield, which are financed annually by the market operators. These funds were held back last year pending the building of a new toilet block on the site. The other scheme was the Children's Play programme. This progressed very well in 2009/10 with all projects being completed except for the Lambourne project which has just slipped into the current financial year.

8. The Housing General Fund programme was underspent by £272,000, mostly due to the lack of response from Homebuy Agents and RSL Partners to progress the Open Market Shared Ownership scheme. Cabinet recently agreed to keep the budget for the Open Market Shared Ownership Scheme in the Capital Programme and agreed that officers continue to consult potential partners with a view to pursuing a similar or alternative scheme to the one originally proposed in partnership with Moat Housing. Broxbourne Housing Association has expressed an interest in discussing such a scheme and are in discussion with the Director of Housing. A future report will be presented to the Cabinet setting out the outcome of the discussions.

9. The outturn on the HRA was just 2% over the revised budget. However, there were several under and overspends on the different initiatives within the HRA Capital Programme. Appendix 3 shows which areas of work experienced slippage and which areas experienced excess demand requiring allocations from 2010/11 to be brought forward. Higher than expected volumes of work has been carried out on void properties resulting in increased costs in 2009/10, and rewiring works on the kitchens and bathrooms have been undertaken sooner than planned. In order to counter this, the planned kitchen and bathroom replacement programme was put on hold around the end of December 2009 and will recommence in 2010/11. Although progress has been made on the environmental improvement works being undertaken on the shops, slippage has occurred into future years.

10. The major scheme within the HRA over the last few years has been the improvement works at Springfields, Waltham Abbey. Practical completion was achieved on 14 August 2009 and negotiations are currently in progress on the final account between the constructor and the Council's quantity surveyor. It is thought likely that there will be an underspend on the project budget overall and, once the final account has been agreed, a report will be presented to Cabinet. For the time being, it is proposed to carry forward the £98,000 year-end underspend on the budget.

11. Members are requested to approve the total carry forwards and brought forwards referred to above on the schemes identified in appendices 2 and 3. The total carry forward requested is £1,055,000 on the General Fund and £660,000 on the HRA. Members are also requested to retrospectively approve the brought forwards on the HRA which total £794,000.

### **Funding**

12. When financing the capital programme, government grants and private funding for specific schemes, are applied initially. Appendix 1 identifies all the grants used in 2009/10 and it compares the actual sums used with the amounts estimated in the revised capital programme. In 2009/10, the total sum of grants applied was £185,000 lower than expected for a number of reasons. Firstly, the application of two DCLG Grants was lower than estimated in line with lower than expected expenditure in both these areas; namely Decent Homes Grants and LABGI funded work on the upgrade of some industrial units. Likewise, slippage on the Children's Play Programme reduced the amount of Big Lottery Grant required to fund this scheme in 2009/10. All the unused grant will be carried forward to finance these schemes in the future.

13. The situation with regard to capital receipts in 2009/10 proved to be marginally better

overall than had been anticipated, as shown in appendix 4. Income from council house sales was slightly higher than expected with 9 houses being sold and there were also slightly more proceeds received from other sales of asset. Overall, the use of capital receipts was lower than expected due to the reduced expenditure on General Fund schemes. The overall effect of this is that balance of unused capital receipts at the 31 March 2010 stands at £21,091,000.

14. With regard to the use of revenue contributions to capital outlay, these were higher than anticipated in order to keep the HRA balance from exceeding the level required to enable the capitalisation of pension deficits to take place. As a consequence, the use of resources from the Major Repairs Reserve was less than estimated and this has meant that the balance on the Reserve is higher than planned at £5,730,000 as at 31 March 2010.

#### **Resource Implications:**

The 2009/10 General Fund Outturn totalled £4,945,000 which represents an underspend of £1,118,000 on the revised budget. This comprises of a saving of £69,000, an overspend of £6,000, and slippage of £1,055,000.

The 2009/10 HRA Capital Outturn was £8,277,000 which represents an overall overspend of £134,000 on the revised budget. This includes slippage of £660,000 and brought forward expenditure of £794,000.

#### **Legal and Governance Implications:**

The Council's capital accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Statement of Recommended Practice (SORP).

#### **Safer, Cleaner and Greener Implications:**

The Council's Capital Strategy works to support the safer, greener and cleaner initiative. A major environmental scheme at Bobbingworth Tip was completed in 2009/10 and the new food and recycling system, introduced on 7th September 2009, has now been fully implemented with the aid of new vehicles and equipment purchased through the capital programme.

#### **Consultation Undertaken:**

Progress on the capital programme is monitored regularly by the Finance and Performance Management Scrutiny Panel and the Finance and Performance Management Cabinet Committee. Service Directors and spending control officers are also consulted throughout the year. In addition, consultation is undertaken with the Tenants and Leaseholders Federation and the Director of Housing on the HRA programme.

#### **Background Papers:**

The capital programme approved at Cabinet 1 February 2010 and working papers filed for External Audit purposes.

#### **Impact Assessments:**

##### Risk Management:

There are no risk management impacts.

##### Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? – No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? – N/A

What equality implications were identified through the Equality Impact Assessment process?  
– N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group? – N/A