

Report to Finance and Performance Management Scrutiny Committee



Date of meeting: 21 June 2011

Portfolio: Finance and Economic Development

Subject: Provisional Capital Outturn 2010/11

Responsible Officer: Teresa Brown (01992-564604)

Democratic Services Officer: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) That the provisional outturn report for 2010/11 be noted;**
- (2) That retrospective approval for the over and underspends in 2010/11 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 2011/12 relating to schemes on which slippage has occurred is recommended to Cabinet; and**
- (4) That retrospective approval for changes to the funding of the capital programme in 2010/11 is recommended to Cabinet.**

Executive Summary:

This report sets out the Council's capital programme for 2010/11, in terms of expenditure and financing, and compares the actual outturn figures with the revised estimates. The revised estimates, which were based on the Capital Strategy, represent those adopted by Council on 22 February 2011.

Appendix 1 summarises the Council's overall capital expenditure in 2010/11, analysed by directorate, 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 2010/11 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 2010/11 are detailed in appendix 4.

Reasons for Proposed 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.

Other Options for Action:

The HRA capital expenditure in 2010/11 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 2010/11 was that a total of £9,931,000 was spent on capital schemes, compared to a revised estimate of £11,422,000. This represents an underspend of £1,491,000 or 13% on the Council's revised capital budget. Expenditure on General Fund projects totalled £3,501,000, which was £1,285,000 or 27% less than anticipated, whilst expenditure on the Housing Revenue Account (HRA) totalled £6,430,000, which was £206,000 or 3% less 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 and one instance of work being carried out ahead of expectations. The underspend 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, one scheme was significantly overspent; the Langston Road redevelopment project (£25,000). Provision for the Langston Road redevelopment project was set aside within the District Development Fund (DDF) but some costs were more appropriately chargeable to Capital as they were feasibility studies relating to the scheme. However, if the scheme does not progress to completion, these costs will be subsequently charged to revenue. On the other hand, if the scheme is completed, the £25,000 capital overspend will be compensated by an underspend on the DDF.
4. 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. The budget of £147,000 was set aside for the provision of new bins and recycling containers to flats, schools, places of worship, village halls etc. These purchases have been delayed as a result of problems with tender submissions, which have now been resolved; a carry forward has therefore been requested.
5. The Civic Office Works budget was underspent by a total of £152,000; this being spread over a total of 16 schemes. The two major projects, being the replacement of the windows and heating systems in the condor building, were given top priority and were completed in 2010/11 along with 5 further projects. The remaining 9 projects have experienced some slippage and the budgets in respect of these schemes are proposed

for carry forward to 2011/12.

6. The Housing General Fund programme was underspent by £457,000, mostly because of slippage with the Open Market Shared Ownership Scheme. This is a unique and innovative scheme agreed by the Cabinet, whereby local housing applicants can select a property on the open market, which Broxbourne Housing Association then purchases (partly funded by an interest-free loan from the Council) and provides a shared ownership lease to the applicant. Being a new concept, the slippage is due to the complexity of the required legal agreements. However, these have almost been finalised and the marketing process has also been undertaken concurrently; it is expected that the budget provision will be spent in 2011/12. Further underspends were experienced on Affordable Housing Contributions to Housing Associations, under the scheme agreed by the Cabinet to enable a housing association to purchase properties on the open market to let at affordable rents. However, following a tender exercise, the amount of required contributions were considered too high and not offering value for money; the Housing Portfolio Holder proposes to report to a future Cabinet meeting on the possible use of this budget to extend the Open Market Shared Ownership Scheme to assist more applicants. Underspends on Disabled Facilities Grants have been offset, to some extent, by overspends on Other Private Sector Grants and the Home Ownership Grants Scheme. It is proposed to make the equivalent adjustments in 2011/12, pending Cabinet approval.
7. The outturn on the HRA was just 3% under 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 more demand; Cabinet is requested to approve the relevant carry forwards and brought forwards to and from 2011/12.
8. 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 the final account has been agreed between the constructor and the Council's quantity surveyor. It is thought likely that there will be a saving on the project budget overall but, for the time being, it is proposed to carry forward the £28,000 underspend to 2011/12 until all capital fees have been finalised.
9. 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 £1,419,000 on the General Fund and £616,000 on the HRA. Members are also requested to retrospectively approve the brought forwards of £114,000 and £410,000 on the General Fund and HRA respectively.

Funding

10. When financing the capital programme, government grants and private funding for specific schemes, are applied initially. Appendix 1 identifies all the grants used in 2010/11 and it compares the actual sums used with the amounts estimated in the revised capital programme. In 2010/11, the total sum of grants applied was £390,000 lower than expected for two main reasons. Firstly, the application of the Disabled Facilities Grant was lower than estimated, in line with lower than expected expenditure in this area. Secondly, slippage on the Open Market Shared Ownership scheme has meant that the £435,000 contribution from McCarthy and Stone remains in the Council's reserve accounts pending completion of this scheme in 2011/12. All other unused grants will be carried forward to finance the appropriate schemes in the future. In contrast, more work was carried out on leasehold flats than expected and this has resulted in private funding from leaseholders being £124,000 more than anticipated.

11. The situation with regard to capital receipts in 2010/11 proved to be marginally better than had been anticipated, as shown in appendix 4. Income from council house sales was slightly higher than expected with 9 houses being sold.
12. The use of capital receipts was £751,000 lower than expected due to the reduced expenditure on General Fund schemes. There was a further £200,000 reduction in the use of capital receipts as it did not prove necessary to supplement the Pension Fund Capital Reserve this financial year. This was because the Capitalisation Direction received was lower than the application made, which resulted in an additional charge to the General Fund and the HRA. The overall effect of these variations is that balance of unused capital receipts was £18,694,000 as at the 31 March 2011, which was £1,033,000 higher than expected.
13. With regard to the use of revenue contributions to capital outlay, these were £400,000 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 of this, plus the underspend on HRA capital schemes, the use of resources from the Major Repairs Reserve was £750,000 less than estimated. This has meant that the balance on the Reserve was higher than planned at £6,541,000 as at 31 March 2011.

Resource Implications:

The 2010/11 General Fund Outturn totalled £3,501,000 which represents an underspend of £1,285,000 on the revised budget. This comprises of savings of £8,000, overspends of £28,000, slippage of £1,419,000, and brought forward expenditure of £114,000.

The 2010/11 HRA Capital Outturn was £6,430,000 which represents an overall underspend of £206,000 on the revised budget. This includes slippage of £616,000 and brought forward expenditure of £410,000.

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 Code of Practice on Local Authority Accounting in the United Kingdom 2010.

Safer, Cleaner and Greener Implications:

The Council's Capital Strategy works to incorporate safer, greener and cleaner design concepts within all capital schemes. The capital programme also supports sustainable initiatives such as the new food and recycling system which was supported by the provision of new vehicles and equipment.

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 31 January 2011 and working papers filed for External Audit purposes.

Impact Assessments:

Risk Management:

The changes to the proposed funding of the capital expenditure are intended to reduce the financial risks faced by the Council.

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