

Report to Cabinet

Report reference: C/009/2006-07

Date of meeting: 5 June 2006



**Epping Forest
District Council**

**Portfolio: Finance, Performance Management
and Corporate Support Services**

Subject: Capital Outturn 2005/06 and Use of Transitional Relief in 2006/07

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Recommendations/Decisions Required:

- 1. That the capital outturn for 2005/06 be noted;**
- 2. That retrospective approval be given for the over and underspends in 2005/06 on certain capital schemes as identified in the report;**
- 3. That approval be given to the carry forward of unspent capital estimates into 2006/07 relating to schemes on which slippage has occurred;**
- 4. That approval be given to the bringing forward of estimates into 2005/06 in respect of schemes which have progressed more rapidly than expected; and**
- 5. That the following areas of expenditure be funded from the transitional capital receipts generated in 2006/07:**
 - Contribution**
 - Disabled Facilities Grants**
 - Double Glazing**
 - Kitchen Renewals**
 - Heating Replacement**
 - Disabled Adaptations**
 - Bathroom Renewals**
 - Roofing**
 - Structural Schemes**
 - Water Replacements**
 - Doors to Affordable Housing (General Fund) Entry Systems.**

Report:

Introduction

- 1. This report sets out the 2005/06 capital outturn, in terms of expenditure and financing, and identifies the use of transitional capital receipts for specified areas of housing expenditure in 2006/07. In view of the requirement to close the Council's accounts a month earlier this year, it was considered appropriate to report the capital outturn figures at the earliest possible opportunity.**
- 2. This report focuses on the capital expenditure incurred in 2005/06 and the funds used to finance it. It identifies a small number of over and underspends on some schemes as well as changes in the timing and phasing of other schemes. The latter represent the**

movement of estimates between financial years rather than amendments to total scheme estimates.

3. The Council's five year Capital Programme was last approved at Cabinet on 6 February 2006. Another Cabinet report will ensue in the form of an updated capital programme for 2006/07 to 2009/10 in addition to the latest position with regard to the sources of capital funding available and the revised HRA capital programme.

Capital Expenditure

4. Appendix 1 summarises the 2005/06 capital outturn together with its financing. Overall, there was a net underspend of £1,203,000 or 11% on the revised budget. The majority of this related to the Housing Revenue Account (£925,000) but the General Fund was also underspent by £278,000.
5. There were a few schemes on which genuine savings have been identified. Within the General Fund, there was a £4,000 reduction in the cost of the security doors installed at Debden Cash Office. This was marginally counterbalanced by a small overspend of £1,000 on river bank strengthening works at Roding Valley. Within the HRA, retentions on two schemes have been retained but these savings have been exceeded by overspends on old projects which have required additional works; the net effect is an overspend of £10,000. Members are requested to approve the savings and overspends which occurred in 2005/06.
6. The majority of the overall £1,203,000 underspend relates to net slippage and expenditure has therefore currently been re-phased into 2006/07. Appendices 2 and 3 give details of the individual projects where slippage has occurred; the main ones being ICT projects, Youth Sports Facilities and Housing projects. Members are requested to approve the carry forward of a total of £873,000 on the General Fund and £1,435,000 on the HRA in relation to these schemes.
7. In contrast to this, some projects have progressed more rapidly than anticipated. Again, individual scheme details are given on Appendices 2 and 3. Members are therefore asked to acknowledge and approve the bringing forward of a total of £598,000 on the General Fund and £500,000 on the HRA in relation to these schemes.

Funding

8. When financing the capital programme, grants and private funding that are received to finance specific schemes, were applied initially. The use of IEG Grant had to be restricted to the amount spent and only £13,000 could be utilized in 2005/06 due to slippage primarily on the Electronic Records and Document Management System (ERDMS). As the programme has been set in motion, however, the grant will be able to be applied in this financial year. The other main difference in respect of grants applied, related to the use of leaseholder funding whereby the reimbursable costs of capital works on leaseholder properties was much higher than expected.
9. The situation with regard to capital receipts proved to be better than had been anticipated. The number of council house sales increased in the second half of the year and the sale price per property also rose. This resulted in the Council's entitlement to transitional relief on these capital receipts being higher than expected. All transitional relief arising in 2005/06 was used in the year to finance the areas of expenditure approved at Cabinet on 11 July 2005. Conversely, the use of capital receipts on the General Fund capital programme was lower than predicted, primarily due to the underspend on this fund.

10. The overall use of revenue contributions to capital outlay was lower than anticipated as the draw on the Major Repairs Reserve was reduced because of the underspend on the HRA combined with the increases in other sources of funding, in particular the availability of Transitional Relief.

Use of Transitional Relief in 2006/07

11. Members will recall that it is a general requirement that transitional relief generated in a given year is spent in that year. However, providing Member approval is in existence highlighting the areas where the expenditure is to occur, then a commitment to spend the money is generated such that late expenditure due to slippage is also permissible. In 2006/07, it is suggested that transitional capital receipts are used to finance the following areas of expenditure:
 - Contributions to Affordable Housing (General Fund)
 - Disabled Facilities Grants
 - Double Glazing
 - Kitchen Renewals
 - Heating Replacement
 - Disabled Adaptations
 - Bathroom Renewals
 - Roofing
 - Structural Schemes
 - Water Replacements
 - Door Entry Systems

Urgency

12. In accordance with Section 100(A)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council's Procedure Rules, the Chairman has permitted on grounds of urgency consideration of this report in view of the need to close the accounts a week earlier this year.

Options considered but rejected:

13. The HRA capital expenditure in 2005/06 could have been financed partly from the use of usable capital receipts. This option was rejected because the 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.
14. It may be decided that the areas of expenditure identified in paragraph 10 above are not considered suitable for financing from the transitional relief. In this case, alternative areas of housing expenditure would have to be identified and committed to as soon as possible in order to avoid unspent monies having to be repaid to Central Government.

Statement in Support of Recommended Action

15. The action recommended is intended to make the best use of the Council's capital resources that are available to finance the Capital Programme in 2005/06.

Consultation Undertaken

16. Progress on the Capital Programme is monitored regularly and Heads of Service are consulted throughout the year. Trends are identified and reported to Programme Management Group meetings most months as part of the monitoring process. In addition, consultation is undertaken with the Tenants and Leaseholders Federation and the Head of Housing on the HRA programme.

Resource Implications

Budget Provision:

The 2005/06 General Fund Outturn totaled £2,923,000 representing an underspend of £278,000. This comprised of a saving of £4,000, an overspend of £1,000, carry forwards of £873,000 and brought forward expenditure of £598,000.

The 2005/06 HRA Capital Outturn was £6,614,000 representing an overall underspend of £925,000. This included savings of £15,000 overspends of £25,000, slippage of £1,435,000 and brought forward expenditure of £500,000.

Personnel: Nil

Land: Nil

Environmental/Human Rights/Crime and Disorder Act: Nil

Key Decision Reference: Nil