

Report to the Finance and Performance Management Scrutiny Panel



Date of meeting: 11 June 2013

Portfolio: Finance and Technology

Subject: Provisional Capital Outturn 2012/13

Responsible Officer: Teresa Brown (01992-564604)

Democratic Services Officer: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) That the provisional outturn report for 2012/13 be noted;**
- (2) That retrospective approval for the over and underspends in 2012/13 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 2013/14 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 2012/13 is recommended to Cabinet.**

Executive Summary:

This report sets out the Council's capital programme for 2012/13, in terms of expenditure and financing, and compares the provisional outturn figures with the revised estimates. The revised estimates, which were based on the Capital Strategy, represent those adopted by the Council in February 2013.

Appendix 1 summarises the Council's overall capital expenditure in 2012/13, 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 2012/13 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 2012/13 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:

More of the HRA capital expenditure in 2012/13 could have been financed from the application of usable capital receipts. This option was rejected because the Direct Revenue Funding (DRF) level, previously referred to as Revenue Contributions to Capital Outlay (RCCO), suggested in this report is affordable within the HRA, according to current predictions, and greater 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 Council's total investment on capital schemes in 2012/13 was £13,089,000, compared to a revised estimate of £13,087,000. Although the overall difference was negligible, there are some variances on particular schemes within the General Fund and Housing Revenue Account (HRA). Expenditure on General Fund projects totalled £3,263,000, which was £306,000 or 8.5% less than anticipated, and expenditure on the HRA totalled £9,826,000, which was £308,000 or 3% more than anticipated.
2. Appendix 2 shows the variations between actual costs and budgeted expenditure on all non-housing General Fund schemes in 2012/13 and appendix 3 shows the same information for housing General Fund schemes. The majority of the variations relate to changes in the timing of works being carried out between this financial year and next financial year. Where work was not completed by 31 March 2013, expenditure has slipped into 2013/14. On the other hand, there are some projects which have progressed ahead of expectations. As the work is already committed on the projects which have slipped, it is recommended that the unspent elements of these budgets be carried forward to 2013/14. In addition to these variations, there was one small saving and two small overspends on General Fund schemes, the larger of the overspends relates to work which was re-classified as capital having originally been classified as revenue expenditure. There is therefore a compensating saving on the revenue account.
3. The variations on the different categories of work on HRA properties and equipment are more diverse, with a relatively even mix of variations resulting from: work completed ahead of schedule; work which has slipped into 2013/14; and overspends and savings on the budgets set. Appendix 3 give details of the individual categories of work where slippage, savings, brought forwards and overspends have occurred.
4. The major schemes in the General Fund Capital Programme in 2012/13 were the Astroturf all-weather pitch at Waltham Abbey and the refurbishment of the changing village at Loughton Leisure Centre. Construction commenced on the all-weather pitch in the summer of 2012 and required a dry spell period for the surfacing works to be undertaken. Due to the adverse weather experienced throughout the winter there was some slippage and it is expected that the new pitch will be completed by July this year.

Therefore it is recommended that the remainder of the budget is carried forward. The work at the Leisure Centre was completed on time and on budget.

5. The largest underspend on the General Fund was on the Planned Maintenance Programme at £88,000. Although most schemes were completed in 2012/13, some schemes within the Civic Offices such as the refurbishment of the toilets and energy efficiency works experienced some slippage and thus a carry forward is recommended. There is also a £10,000 underspend regarding the roof at the Waltham Abbey Swimming Pool. Consultations are currently commencing and once a decision has been made, the position regarding the carry forward will be clearer. The budget for a vehicle lift to assist with MOTs at Langston Road was fully utilised within 2012/13. There was a slight overspend on the new development schemes. This was due to feasibility work being carried out at Oakwood Hill, thus a brought forward is recommended.
6. The budget for investment in IT and communications was slightly overspent as some equipment due to be purchased in 2013/14, was purchased in 2012/13 in order to receive a significant discount for the Council. It is recommended that Members retrospectively approve the budget for the equipment be brought forward from 2013/14. A payment kiosk was also purchased for the Waltham Abbey office to make payments to the Council more efficient, the budget incurred a slight overspend.
7. The 2012/13 waste management vehicles and equipment budget for the provision of the new food and recycling system was underspent by £28,000. This related to the purchase of new bins and recycling containers for flats, schools, places of worship, village halls etc. This is recommended to be carried forward into 2013/14. There have been delays in progressing work on the parking reviews by Essex County Council which has resulted in an underspend in 2012/13. This is recommended to be carried forward into 2013/14. There are two schemes relating to North Weald Airfield, one being the purchase of a vehicle to replace the old vehicle and the second being the infrastructure improvements works carried out on the market site. The vehicle has been purchased at a lower cost than anticipated, thus generating a saving, however the market improvements have incurred an overspend which is recommended to be brought forward from the budget in 2013/14. This expenditure has been met from contributions made by the market operators.
8. The budget for CCTV systems was fully spent in 2012/13 with expenditure in line with budget expectations. However, works relating to the installation of CCTV systems at Loughton Broadway incurred a slight overspend which is recommended to be brought forward from 2013/14. The overspend of £9,000 incurred on the grounds maintenance plant and equipment resulted from a purchase of a mower which was more appropriately funded through capital although it was covered by a budget set aside within the revenue budgets. This therefore represents a switch of funding, rather than an overspend by the Council overall.
9. The budget for the Limes Farm Centre included some minor snagging works which were to be completed in 2012/13. Although a majority of the issues have been resolved it is recommended that the underspend of £11,000 be carried forward until all works are fully checked and the final account is agreed.
10. Finally, the open market shared ownership scheme within the Housing General Fund capital programme was underspent by £175,000. The revised budget of £374,000 allowed for interest-free loans to be passed over to B3Living Housing Association to assist housing applicants to purchase low-cost homes on a shared-equity basis. However, completion was only achieved on 4 properties and thus a carry forward is

recommended.

11. Overall, the outturn on the HRA was 8.5% over the revised budget and Appendix 3 shows how actual cost compared to the budgets allocated for each category of work. This appendix also indicates where savings and overspends are recommended and where carry forwards and brought forwards are considered to be the best course of action. Reasons for these recommendations and explanations on the main variances are given in the following paragraphs.
12. The budget which experienced the greatest volume of slippage on the HRA was the service enhancement budget, which was underspent by £139,000. As this was a new initiative in 2012/13, it took longer than expected to identify and progress some of the projects, for example planned software systems have been delayed and some DDA conversion works and installations of smoke alarms have taken longer than anticipated. In addition to this, environmental works of £66,000 were delayed, in particular the off street parking and external lighting schemes.
13. To compensate for these underspends, work to the value of £200,000 on heating systems have been carried out ahead of target. Changes in safety regulations relating to vertical flues prompted the need to accelerate the work on certain gas heating systems. Consequently, expenditure relating to these works has been brought forward and retrospective approval is sought from Members.
14. Some of the overspends incurred on the HRA are requested to be retrospectively approved for additional funding. The largest areas of overspend related work on void properties, structural schemes (£129,000) and energy efficiency projects (£48,000) in response to an increase in demand. These all related to significant increases in demand during 2012/13. An increase in void numbers combined with a policy of complete refurbishment has resulted in an overspend of £140,000 which would be difficult to deduct from the 2013/14 budget as demand is expected to continue and a reduction of work on vacant properties is likely to be counter-productive. By undertaking full refurbishments rapidly, properties can be re-let more quickly and, in the longer term, it should be possible to scale down the kitchen and bathroom refurbishment programme.
15. The increase in structural work resulted largely from an increase in subsidence problems due to the wet conditions this year. These problems required immediate remedial works which resulted in a £129,000 overspend; £20,000 of this has been reimbursed by means of an insurance claim by the owners of a neighbouring property. Energy efficiency work has also been given a high priority and, again, there was some external funding in the form of a £16,500 energy efficiency grant which partly financed the £48,000 overspend.
16. Initial work on the new house building investment programme is progressing well with the development agent having commenced work on the house building strategy, feasibility works and partnership arrangements. Expenditure was £11,000 higher than the revised estimate, which had been scaled down from the original projections, and this sum is recommended to be brought forward from 2013/14.
17. In summary, Members are requested to approve the savings, overspend, carry forwards and brought forwards referred to above on the schemes identified in appendices 2 and 3. The total savings are £1,000 on the General Fund and £280,000 on the HRA. The total carry forward requested is £427,000 on the General Fund and £271,000 on the HRA. Members are also requested to retrospectively approve the brought forwards of £112,000 and £299,000 on the General Fund and HRA respectively.

Funding

18. When financing the capital programme government grants and private funding for specific schemes are applied initially. Appendix 1 identifies all the grants used in 2012/13 and it compares the actual sums used with the amounts estimated in the revised capital programme. In 2012/13, the total sum of grants applied was £783,000, which was £25,000 higher than expected. This was partly due to expenditure on Disabled Facilities Grants being higher than anticipated and this increase has been fully funded by Central Government, after taking into account any repayments of grants given in previous years. Countering this was the underspend on the Home Ownership Scheme which was funded in full from Section 106 money. Funding elements in 2013/14 of Government grants and private contributions will be brought forward to finance the appropriate schemes in 2012/13.
19. The situation with regard to capital receipts in 2012/13 proved to be slightly lower than had been anticipated, as shown in appendix 4. This was due to receipts from council house sales being lower than expected with 13 houses being sold as opposed to the 15 sales anticipated. In contrast, General Fund capital receipts were higher than expected; largely due to a compensation payment received relating to a scheme on the M25. As the use of capital receipts was lower than anticipated the balance on the Capital Receipts Reserve was £13,899,000 as at 31 March 2013; this being £184,000 higher than projected.
20. With regard to the use of revenue contributions to capital outlay, the HRA contribution of £4,200,000 was in line with the revised budget and the overspend of expenditure on HRA capital schemes was funded by increasing the usage of resources from the Major Repairs Reserve. Usage of this reserve was £200,000 higher than estimated and, as a result, the balance as at 31 March 2013 reduced to £9,755,000.

Resource Implications:

The 2012/13 General Fund Outturn totalled £3,263,000 which represents underspends of £306,000 on the revised budget. This comprises of savings of £1,000, an overspend/switched funding of £10,000, slippage of £427,000, and brought forward expenditure of £112,000.

The 2012/13 HRA Capital Outturn was £9,826,000 which represents an overall overspend of £308,000 on the revised budget. This includes savings of £52,000, an overspend of £332,000, slippage of £271,000 and brought forward expenditure of £299,000.

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 2011.

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 30 January 2012 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