

# **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Report reference: C/ /2007**

**Date of meeting: 18 June 2007**

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

**Subject: Capital Outturn 2006/07 and Use of Transitional Relief in 2007/08**

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## **Recommendations/Decisions Required:**

- 1. That the capital outturn for 2006/07 be noted;**
- 2. That retrospective approval for the over and underspends in 2006/07 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 2007/08 on schemes on which slippage has occurred is recommended to Cabinet;**
- 4. That approval for the bringing forward of estimates into 2006/07 in respect of schemes which have progressed more rapidly than expected is recommended to Cabinet; and**
- 5. That the previous approvals to use the unapplied balance of transitional capital receipts for financing contributions to affordable housing schemes be noted.**

## **Report:**

### **Introduction**

- 1. This report sets out the Council's capital programme for 2006/07, 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 5 February 2007 plus the additional sum of £240,000 approved for wheeled bins by Cabinet on 12 March 2007, financed partly by a virement of £105,000 from the general capital contingency and the remainder by way of a supplementary capital estimate of £135,000.**
- 2. Appendix 1 summarises the Council's overall capital expenditure in 2006/07, 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, overspend, 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.**
- 3. An analysis of the funds used to finance the Council's capital expenditure in 2006/07 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 2006/07 are detailed in appendix 4.**

4. The report also identifies the proposed use of the transitional capital receipts that remain unused as at 31 March 2007.

### **Capital Expenditure**

5. The overall position in 2006/07 was that a total of £10,500,000 was spent on capital schemes, compared to a revised estimate of £15,615,000. This represents an underspend of £5,115,000 or 33% on the Council's revised capital budget. The underspend was fairly evenly split between the General Fund and the Housing Revenue Account (HRA). Expenditure on General Fund projects totaled £4,764,000, which was £2,932,000 or 38% less than anticipated, whilst expenditure on HRA assets totaled £5,736,000, which was £2,183,000 or 28% less than anticipated.
6. There was only one scheme on which a genuine saving was identified, that being a £3,000 saving on the cost of the county care vehicle. This was marginally counterbalanced by a small overspend of £1,000 on car park upgrade at Cottis Lane. Although appendix 2 shows that there was also an overspend of £82,000 on the works being carried out to create a second computer suite at the civic offices, this has been offset against the underspend on general IT projects. Within the HRA, there were no actual savings or overspends. However, expenditure of £29,000 incurred by the Choice Based Lettings Consortium in setting up an ICT scheme has now been included within the capital programme and this has been financed from a capital grant provided by the Department of Communities and Local Government. Members are requested to approve the savings and overspend which occurred in 2006/07.
7. The majority of the £2,932,000 underspend on the General Fund relates to net slippage of expenditure and it is proposed that this is re-phased into 2007/08. Appendices 2 and 3 give details of the individual projects where slippage has occurred. There were a number of areas where slippage occurred, including ICT projects, Bobbingworth Tip, town centre enhancement schemes, parking and traffic schemes, contributions to affordable housing, private housing grants and the compulsory purchase of 8/8a Sun Street in Waltham Abbey.
8. ICT projects are progressing but more slowly than anticipated partly due to the uncertainty regarding the final cost of completing the second computer suite and technical difficulties on the new planning and land charges system. The environmental works at Bobbingworth Tip have been delayed due to the difficulties in securing permission from Essex County Council to commence works. Although Phase 2 of the town centre enhancement works at Loughton High Road are essentially complete, it is requested that the underspend of £133,000 is carried forward pending finalisation of scheme costs. The works programmed at Loughton Broadway have had to be reviewed following site surveys, as reported to Cabinet on 16 April 2007, and it is envisaged that works on the second phase of this scheme will commence this financial year. Parking and traffic schemes are progressing but have been held up due to delays in obtaining the relevant traffic regulation orders. With regard to the contributions to affordable housing, it was hoped that a sum in excess of £700,000 would be passed over to Warden Housing Association before 31 March but this was delayed to May 2007 for legal reasons. The estimate for private housing grants was doubled in 2006/07 from previous years to include decent homes grants but, so far, it has not been possible to process these new grants. Finally, the purchase of 8/8a Sun Street in Waltham Abbey under a compulsory purchase order has not been enforced and the situation has yet to be finalised.
9. With regard to HRA capital housing projects, there has been substantial slippage on most categories of work. The largest single housing project being undertaken at Springfields, Waltham Abbey has experienced delays due to the need to repurchase several flats before work could commence. The other main areas of slippage were incurred on PVCu double glazing contracts, roofing projects, asbestos removal, energy efficiency works, structural schemes and environmental improvement works to shops.

10. Members are requested to approve the total carry forward of £2,930,000 on the General Fund and £2,359,000 on the HRA in relation to the schemes identified in appendices 2 and 3.
11. In contrast to this, the heating upgrade programme being undertaken in council houses has progressed more rapidly than anticipated. This is shown in the brought forward column on Appendix 3. Members are asked to acknowledge and approve the bringing forward of a net sum of £147,000 on the HRA heating and rewiring schemes.

### **Increased Contributions to the Pension Fund**

12. In 2003/04 a transfer of £2,500,000 was made to the Pension Fund Reserve from usable capital receipts, to provide for future increased pension contributions. In 2005/06 £852,000 was charged to the reserve in line with the capitalization direction received for that year. In 2006/07 an equivalent direction for £528,000 was received and this sum has been charged to the reserve; £359,000 in respect of the General Fund and £169,000 in respect of the HRA. This leaves a capital balance of £1,120,000 remaining on the Pension Fund Reserve to finance future increased contributions. These sums are not shown on the appendices.

### **Funding**

13. When financing the capital programme, government grants and private funding that have been received to finance specific schemes, are applied initially. Appendix 1 identifies all the grants used in 2006/07 and it compares the actual sums used with the amounts estimated in the revised capital programme. The largest variation arose from the fact that none of the new grant for decent homes received from the DCLG could be applied as no grants were processed in 2006/07; progress has however been made in this financial year. In contrast to this, more funding from other sources was used in financing the capital programme in 2006/07 due mainly to the sums received from leaseholders for the reimbursable costs of capital works on leaseholder properties, being much higher than originally estimated.
14. The situation with regard to capital receipts in 2006/07 proved better than anticipated, as shown in appendix 4. The number of council house sales increased in the second half of the year although the average sale price per property remained fairly constant. This resulted in the Council's entitlement to transitional relief on these capital receipts being higher than expected. All transitional relief arising in 2006/07 was used in the year to finance the areas of HRA expenditure approved at Cabinet on 5 June 2006. However, the £1,000,000 balance brought forward from 2005/06 remains unused as this was committed to financing contributions to affordable housing, which had not taken place by 31 March 2007. The actual use of other capital receipts on the General Fund capital programme was lower than predicted, primarily due to the underspend on this fund.
15. The overall use of revenue contributions to capital outlay was as anticipated, with the draw on the Major Repairs Reserve reduced. This was due to 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 2007/08**

16. Members will recall that authorities that were debt-free on 31 March 2004, were granted transitional relief on a reducing percentage of capital receipts which are deemed "poolable" to a Central Government Pool since the scheme was introduced. This period of transitional relief has now come to an end. However, the Council still has a sum of £1,000,000 of transitional relief which has not been used to finance capital expenditure to date.

17. It has been a general requirement that transitional relief generated in a given year was 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 previous years, approval was given for the use of £1,000,000 transitional relief to finance contributions to affordable housing schemes in partnership with housing associations and Members are asked to note this commitment.

#### **Options considered but rejected:**

18. The HRA capital expenditure in 2006/07 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.

#### **Statement in Support of Recommended Action**

19. 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 2006/07.

#### **Consultation Undertaken**

20. Progress on the capital programme is monitored regularly by the Finance and Performance Management Scrutiny Panel. Heads of Service and spending control officers are also consulted throughout the year. 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 2006/07 General Fund Outturn totaled £4,764,000 representing an underspend of £2,932,000. This comprised of a saving of £3,000, an overspend of £1,000, and carry forwards of £2,930,000.

The 2006/07 HRA Capital Outturn was £5,736,000 representing an overall underspend of £2,183,000. This included an overspend of £29,000, slippage of £2,359,000 and brought forward expenditure of £147,000.

**Personnel:** Nil

**Land:** Nil

**Environmental/Human Rights/Crime and Disorder Act:** Nil

**Key Decision Reference:** Nil