



AGENDA ITEM:

CABINET: 12 November 2013

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
28 November 2013**

COUNCIL: 18 December 2013

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Relevant Portfolio Holders: Councillor D Westley
Councillor A Owens**

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SUBJECT: REVISED CAPITAL PROGRAMME AND MID YEAR REVIEW 2013/2014

Wards Affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To agree a Revised Capital Programme for 2013/2014 and provide Members with an overview on the progress against it at the mid-year point.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the Revised Capital Programme, including the reprofiling, virements and budget adjustments contained within Appendix A, be approved for consideration by Council.

2.2 That the progress against the Revised Capital Programme at the mid-year point be noted.

2.3 That Call In is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 28th November and Council on 18th December.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the Revised Capital Programme and progress against it at the mid-year point be noted.

4.0 RECOMMENDATIONS TO COUNCIL

- 4.1 That the Revised Capital Programme, including the reprofiling, virements and budget adjustments contained within Appendix A, be approved.
 - 4.2 That progress against the Revised Capital Programme at the mid-year point be noted.
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5.0 BACKGROUND

- 5.1 The Capital Programme is set on a three-year rolling basis and the Programmes for 2013/2014, 2014/2015 and 2015/2016 were approved by Council in February, 2013.
- 5.2 In accordance with best practice, the Capital Programme is subject to revision at the mid-year point to ensure that it is based on the latest available information and to make monitoring of the Programme more meaningful. It enables Managers to review their schemes with the most up to date information and to review the resources available. It also provides a base upon which to build future Capital Programmes.
- 5.3 Members are kept informed of the financial position of the Capital Programme through regular monitoring reports. The last such report was presented to Cabinet in September 2013 and Executive Overview and Scrutiny in October 2013 and reported on a Capital Programme of £22.814m for 2013/2014.

6.0 REVISED CAPITAL PROGRAMME

- 6.1 Heads of Service have reviewed their respective schemes and are now proposing that changes are made as a result of more up to date information that has become available. This review process has incorporated a number of considerations including:
 - re-profiling of schemes
 - changes to external funding availability
 - levels of anticipated funding required
 - anticipated levels of demand
- 6.2 The proposed changes to the 2013/2014 Programme are analysed in Appendix A and show an overall reduction of £3.311m. This comprises:
 - a reduction of £3.386m from approvals reprofiled into future years. This does not alter the total amount that will be spent on schemes, but rather the timing of when the expenditure will take place.
 - an increase of £0.517m in external funding mainly from Environment Agency Grants and Disabled Facilities Grants. This more than accommodates a reduction in capital receipt funding for Disabled Facilities Grants of £0.1m per year to reflect reduced demand. The Equality Impact Assessment in Appendix D provides more details on this change.

- an increase of £0.142m in GRA funding mainly as a result of additional monies being made available for investment following the closure of the 2012/2013 Accounts.
- a reduction of £0.879m in Housing Revenue Account schemes for a variety of reasons as set out in Appendix A. This funding is ring-fenced for the HRA and consideration will be given as to how to allocate these resources to other Housing schemes through the Budget process.
- a net increase of £0.188m in Capital receipt funding including £0.25m as first call to finance phase 2 of the blue bin scheme (as detailed in section 8 of this report) less funding no longer required for a range of schemes.
- an additional £0.107m section 106 funding approved at Cabinet for parks and recreation areas during the course of this year.

6.3 The Revised Capital Programme totals £19.503m for 2013/2014. This is analysed by Service in Appendix B along with a summary of the revised capital resources available.

6.4 This is a large Capital Programme compared to previous years which will provide a challenge to meet in full whilst obtaining good value for money for the Council.

7.0 CAPITAL EXPENDITURE

7.1 Generally, capital schemes are profiled with relatively low spending compared to budget in the early part of the financial year with increased spending as the year progresses. This reflects the fact that many new schemes have considerable lead in times, for example, because of the need to undertake the tendering process and award contracts at the start of the scheme. Other schemes are dependant on external partner funding and schemes can only begin once their funding details have been finalised. Other schemes include contract retentions or contingencies that will only be spent some time after completion of the contract. Most schemes then progress and spend in line with their approval by the year-end.

7.2 This pattern has been repeated in the current year with £4.902m (25%) of expenditure having been incurred by the mid-year. Although the percentage of budget spend is similar to that in recent years, the Programme is significantly larger and actual spend is considerably higher than previous years at this point. Comparisons to previous years' programmes are shown in Table 1:

Year	Expenditure £m	Budget £m	% Spend against Budget
2013/2014	4.902	19.503	25%
2012/2013	4.034	13.362	30%
2011/2012	3.140	12.491	25%
2010/2011	2.673	11.013	24%

7.3 Appendix C provides the Heads of Services' comments on the progress of schemes against the Revised Programme. Housing Public Sector schemes

represent 77% of the overall programme. Consequently, progress in this area will largely determine the overall spending position at the year end.

8.0 CAPITAL RESOURCES

8.1 There are sufficient resources identified to fund the 2013/2014 Revised Capital Programme as shown in Appendix B.

8.2 The main area of the capital resources budget that is subject to variation is in relation to capital receipts. These are the useable proceeds from the sale of Council assets (mainly houses under Right to Buy legislation) that are available to fund capital expenditure. These receipts can vary significantly depending on the number and value of assets sold.

8.3 In recent years, receipts from this source have fallen dramatically and the budget for usable capital receipts to be generated from Council House sales in the year is set at £0.120m from 12 sales. However, in the last quarter of 2012/2013 sales increased due to a number of factors including increased right to buy discounts and the greater availability of mortgages. This trend has continued into the current year with 25 sales being completed at the mid-year point generating £0.29m.

8.4 In addition to receipts from council house sales the Council also has a programme to sell plots of its land in line with the Strategic Asset Management Plan. £0.05m is included in the 2013/2014 Capital Programme from this source. To date, there have been 2 land sales generating £0.022m.

8.5 Useable Capital Receipts generated to date are analysed in Table 2:

Year	Estimate £'000	Actual £'000	% Received against Budget
Right to Buy Sales	120	290	242%
Land Sales	50	22	44%
Total	170	312	184%

8.6 The level of capital receipts generated so far this year already exceeds the budget target for the year by £0.142m and it is expected that this position will improve further by the year end. Consequently, it is confidently expected that the additional £0.25m required to complete Phase 2 of the Blue Wheelie Bin scheme will be available. Members are, therefore, asked to approve the expansion of this scheme, as detailed in Appendix A.

8.7 An element of the capital receipts generated from Council House sales has to be paid back to the Government. The Government has now changed these rules to enable the Council to keep a greater proportion of these sale proceeds which is a positive development. These changes are intended to take account of the outstanding debt associated with properties that are sold and to promote "one-for-one" replacement of houses that are sold. Details on these changes will be reported to Council in December.

8.8 A full review of expenditure plans and funding availability for future years will take place as part of the Budget process with a view to ensuring a balanced Programme that will be managed over a medium term timescale.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

9.1 The Capital Programme includes schemes that the Council plans to implement to enhance service delivery and assets. Individual project plans address sustainability and Community Strategy issues and links to Corporate Priorities. The Capital Programme also achieves the objectives of the Prudential Code for Capital Finance in Local Authorities by ensuring capital investment plans are affordable, prudent, and sustainable. This report provides an updated position on project plans and shows progress against them.

10.0 RISK ASSESSMENT

10.1 Capital assets shape the way services are delivered for the long term and, as a result, create financial commitments. The formal reporting of performance against the Capital Programme is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. Schemes within the Programme that are reliant on external contributions and/or decisions are not started until funding is secured. Other resources that are subject to fluctuation are monitored closely to ensure availability. The capital receipts position is scrutinized on a regular basis and managed over the medium term to mitigate the risk of unfunded capital expenditure.

Background Documents:

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The majority of the budget issues set out in this report have been the subject of previous reports to Committees and consequently an Equality Impact Assessment has already been prepared for them where relevant.

However, the proposed Disabled Facilities Grants changes could have a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account when undertaking the actions detailed within this article.

Appendices:

- A Summary of Changes to 2013/2014 Capital Programme
- B 2013/2014 Revised Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- C Heads of Service Comments
- D Equality Impact Assessment (Disabled Facilities Grants)
- E Minute of the Landlord Services Committee Cabinet Working Group held on 6 November 2013