



## **AGENDA ITEM: 13**

**CABINET: 17 March 2015**

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
01 April 2015**

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**Report of: Borough Treasurer**

**Relevant Managing Director: Managing Director (People and Places )**

**Relevant Portfolio Holder: Councillor D Whittington**

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**SUBJECT: CAPITAL PROGRAMME MONITORING**

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Wards affected: Borough wide

### **1.0 PURPOSE OF REPORT**

1.1 To update Members on the current position in respect of the 2014/2015 Capital Programme.

### **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the current position in respect of the 2014/2015 Capital Programme be noted.
- 2.2 That the uses of the Environmental / Town and Village Centre Improvement Fund set out in Appendix C be noted and endorsed.
- 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 1<sup>st</sup> April 2015.

### **3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE**

3.1 That Members note the current position in respect of the 2014/2015 Capital Programme.

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## 4.0 BACKGROUND

- 4.1 The Capital Programme is set on a three-year rolling basis that is updated regularly when Members are advised of progress against it. The revised GRA programme of £3.467m for 2014/2015 was agreed by Members in December 2014. Council subsequently approved the new Medium Term GRA Programme for 2015/2016 to 2017/2018 on 25<sup>th</sup> February 2015, but, due to the timing of this budget, these changes have not been fully incorporated into this report.
- 4.2 The Housing Public Sector Capital Programme is the subject of a separate report elsewhere on this Agenda.

## 5.0 CAPITAL EXPENDITURE

- 5.1 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 a tendering process and award contracts at the start of the scheme. Some schemes are dependent 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.
- 5.2 This pattern has been repeated in the current year with £1.467m (42%) of expenditure having been incurred by the end of January. Comparison to previous years is indicated in Table 1 whilst Appendix A shows a breakdown by Service of expenditure and approvals.

| Year      | Expenditure<br>£m | Budget<br>£m | % Spend<br>against Budget |
|-----------|-------------------|--------------|---------------------------|
| 2014/2015 | 1.467             | 3.467        | 42%                       |
| 2013/2014 | 2.127             | 4.421        | 48%                       |
| 2012/2013 | 2.643             | 4.304        | 61%                       |
| 2011/2012 | 2.313             | 5.503        | 42%                       |

- 5.3 This year's performance is lower than the same point in the last two years but similar to that in 2011/2012. Appendix B provides comments from Heads of Service on the progress of individual schemes against the Programme.
- 5.4 Council agreed a £490,000 allocation for the Environmental / Town and Village Centre Improvement Fund in February 2014, and a further £69,000 at its meeting in February 2015. Appendix C provides a breakdown of how this funding has or will be used and Members are now asked to note and endorse this position.

## 6.0 CAPITAL RESOURCES

- 6.1 Sufficient resources have been identified to fund the Capital Programme as shown in Appendix A.
- 6.2 A proportion of the resources to fund capital expenditure are based on government allocations that have been confirmed. Other resources come from external funding and schemes that are heavily dependent on this source are not able to start until after the funding has been confirmed. A further source of funding is capital receipts.
- 6.3 Capital receipts are the main area of the capital resources budget that is subject to variation. They are the useable proceeds from the sale of Council assets (mainly houses under Right to Buy (RTB) legislation) that are available to fund capital expenditure. They can vary significantly depending on the number and value of assets sold.
- 6.4 The Mid Year Review report identified that 19 RTB sales had been achieved against the target of 50 for the year and 2 plots of land sold. At the end of the third Quarter a further 5 RTB sales had been achieved with 1 further land sale. The useable receipts generated are analysed in Table 2:

| Year               | Estimate<br>£'000 | Actual<br>£'000 | % Received<br>against Budget |
|--------------------|-------------------|-----------------|------------------------------|
| Right to Buy Sales | 325               | 201             | 62%                          |
| SAMP Sales         | 250               | 273             | 109%                         |
| Total              | 575               | 474             | 82%                          |

- 6.5 Retained proceeds generated by Council House sales are now split between general usable capital receipts (detailed above), One for One Replacement Funding, and Debt Funding. At the end of the third quarter, £0.139m had been generated for One for One Replacement Funding and £0.210m generated for Debt Funding.
- 6.6 The estimate for the year was based on historical averages as the actual pattern of sales is volatile. The total level of capital receipts generated so far this year currently exceeds the budget target for the end of the third quarter by £0.043m. Steady progress is being made on the Strategic Asset Management Plan (SAMP) with further sales in the pipeline. The volume of Right to Buy sales, however, is likely to be less than the budgeted target and the associated sales value is also likely to be less than anticipated.
- 6.7 This has been taken into account in the review of expenditure plans and receipts generated compared to budget when the Medium Term Programme was approved at Council in February. This position will be managed over a medium term timescale.

## **7.0 SUSTAINABILITY AND COMMUNITY STRATEGY LINKS**

7.1 The Capital Programme includes schemes that the Council plans to implement to enhance service delivery and assets. 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 and progress statement against project plans.

## **8.0 RISK ASSESSMENT**

8.1 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 or decisions are not started until funding is secured and 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.

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### **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 decision does not have any direct impact on members of the public, employees, elected members and/or stakeholders. Therefore, no Equality impact assessment is required.

### **Appendices:**

A Capital Programme Expenditure and Resources Budget

B Heads of Service Comments

C Use of Environmental / Town and Village Centre Improvement Fund

D Minute of Cabinet (Executive Overview and Scrutiny Committee only)