



**AGENDA ITEM: 16**

**CABINET: 15 September 2009**

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
1 October 2009**

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**Report of: Council Secretary and Solicitor**

**Relevant Portfolio Holder: Councillor D Westley**

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**SUBJECT: CAPITAL PROGRAMME OUTTURN 2008/2009**

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Wards Affected: Borough wide

#### **1.0 PURPOSE OF REPORT**

1.1 To provide a summary of the capital outturn position for the 2008/2009 financial year.

#### **2.0 RECOMMENDATIONS TO CABINET**

2.1 That the final position, including slippage, on the Capital Programme for the 2008/2009 financial year be noted and endorsed.

2.2 That the call in procedure is not appropriate for this item as it is being referred to the next meeting of the Executive Overview and Scrutiny Committee.

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

3.1 That the final position on the Capital Programme for the 2008/2009 financial year be noted.

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#### **4.0 BACKGROUND**

4.1 Members have been kept informed of the financial position of the Capital Programme throughout the year with regular monitoring reports. The last such Report was presented to Cabinet in March 2009 and Executive Overview and Scrutiny in April 2009 and reported on a Capital Programme of £10.502m. This report provides Members with the final position on capital schemes for the 2008/2009 financial year.

4.2 It should be noted that the final accounts for the 2008/2009 year are subject to audit and the figures contained in this report are, potentially, subject to change. However, the Audit is nearing completion and no issues have been raised on the capital programme to date. Members will be informed in due course of any significant matters arising from the Audit.

4.3 The position on the current Programme is discussed elsewhere on this Agenda.

## **5.0 CAPITAL PROGRAMME**

5.1 Since the last Capital Programme report, the overall size of the Programme has increased by £0.099m. This relates to the transfer from revenue of the capital element of the Lancashire Local Area Agreement which is fully funded by external partners.

5.2 The Capital Programme at the end of the 2008/2009 financial year was, therefore, £10.601m. This is analysed by Division in Appendix A.

5.3 The key results for the year on the capital programme are that reasonable progress has been made in delivering schemes and that spending is within budget with no significant issues on overspends. The level of capital receipts generated has, however, reduced significantly in line with the economic downturn and this issue will need to be reviewed when setting future programmes.

## **6.0 CAPITAL EXPENDITURE**

6.1 The total capital expenditure for 2008/2009 was £7.656m. This represents 72% of the total Budget for the year and compares to 87% in 2007/2008 and 76% for 2006/2007. Whilst this is a lower spend than in recent years, it still represents a reasonable performance and analyses of spending, scheme progress and slippage are provided in the appendices.

6.2 100% spend against the Budget is never anticipated due mainly to reasons beyond the Council's control. For example, some schemes are reliant on a significant amount of match funding and external contributions and others are demand led or dependant upon decisions made by partners. It is recognised that in such cases, schemes can be subject to considerable lead in times and delays because of the decision making processes in other organisations. As such, these schemes only start when their funding details have been finalised. Another reason is that some contracts include retentions or contingencies that will only be spent some time after completion of the contract. Approvals for schemes that are affected by such issues are to be slipped into the 2009/2010 Programme and are discussed in section 8.

## **7.0 CAPITAL RESOURCES**

7.1 A breakdown of the resources of £10.601m identified to fund the programme is shown in Appendix A.

- 7.2 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 sales) that are available to fund capital expenditure. These receipts can vary significantly depending on the number and value of assets sold.
- 7.3 Members have been advised that, due to a significant reduction in the level of Council house sales, useable receipts would be below the target of £0.45m for the year. In fact, receipts generated against this target slumped to £0.326m which left a shortfall of £0.124m from this source. There have, however, been sufficient receipts arising from asset sales in previous years to fund the 2008/2009 Programme.
- 7.4 In addition to receipts from Council house sales, other asset sales in the year generated a further £0.208m of capital receipts. This has been earmarked for the Abbotsford Regeneration and Office Refurbishment schemes in accordance with Council's resolution in February 2009. This funding has not yet been used.

## **8.0 SLIPPAGE OF APPROVALS**

- 8.1 Schemes that are not completed within the financial year for which they are scheduled are slipped into the following financial year along with their unused expenditure and resource approvals.
- 8.2 The total slippage figure for capital schemes from 2008/2009 is £2.675m. This is an increase from the £1.687m slipped from the 2007/2008 Programme but compares favourably to the £3.607m slipped from the 2006/2007 Programme.
- 8.3 Further analysis on the slippage is provided in the appendices.

## **9.0 EXPLANATION OF VARIANCE**

- 9.1 Divisional Managers have considered the position of individual schemes at the year-end and have taken the opportunity of revising budget allocations to take account of new information affecting the spending profiles of their schemes. This has facilitated the funding of small scheme overspends against approvals from those schemes that have underspent against their approvals.
- 9.2 The budgeted expenditure for the 2008/2009 Capital Programme was £10.601m. Taking account of expenditure of £7.656m and slippage of £2.675m, there is a total budget requirement of £10.331m. This means that there is an overall favourable variance on programmed approvals of £0.27m that is no longer required.
- 9.3 The variance is due to a reduction in demand for the Inspire projects (£0.309m) along with cost savings on Burscough CCTV (£35,000) and Pay and Display (£23,000), funded overspends on Kitchens and Bathrooms (£14,000) and Professional Fees (£63,000) and £20,000 of other minor variances.
- 9.4 Most of the funding of the variance is from external grants and revenue contributions and the capital pot funding variance has been reprofiled from 2010/2011 approvals. Therefore, no additional funding has been made available

for the Programme. The remaining capital programme is being delivered within the budget that has set and there are no significant issues with scheme overspends.

## **10.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

10.1 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.

## **11.0 RISK ASSESSMENT**

11.1 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.

## **12.0 SUMMARY**

12.1 The capital programme is being delivered on time and within budget. The budget for 2008/2009 was £10.601m, and expenditure for the year was £7.656m. This represents 72% and shows reasonable performance in delivering the programme. £2.675m of approvals have been slipped into the 2009/2010 Programme when the expenditure will be incurred.

12.2 Sufficient capital resources were available to fully fund the capital expenditure incurred in 2008/2009.

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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**

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

### **Appendices**

- A Capital Expenditure and Resources Compared to Budget
- B Divisional Manager Comments
- C Analysis of Significant Slippage