



**APPENDIX 1:**  
**AGENDA ITEM: 10**

**CABINET: 15 November 2011**

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
1 December 2011**

**COUNCIL: 14 December 2011**

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**Report of: Borough Treasurer**

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

**Relevant Portfolio Holders: Councillors D Westley and A Owens**

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**SUBJECT: REVISED CAPITAL PROGRAMME AND MID YEAR REVIEW 2011/2012**

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Wards Affected: Borough wide

**1.0 PURPOSE OF THE REPORT**

1.1 To agree the Revised Capital Programme 2011/2012 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 virements contained within it, 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 1st December 2011 and Council on 14<sup>th</sup> December.

**3.0 RECOMMENDATION 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 virements contained within it, be agreed.
  - 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 2011/2012, 2012/2013 and 2013/2014 were approved by Council in February, 2011.
- 5.2 In accordance with the Capital Strategy, 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 and Executive Overview and Scrutiny in September 2011 and reported on a Capital Programme of £11.192m for 2011/2012.

## **6.0 REVISED CAPITAL PROGRAMME**

- 6.1 Directorate Service Heads have reviewed their respective schemes and have made changes as a result of more up to date information that has become available. The reviews 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 Directorate Service Heads have made budget virements to enable schemes to progress and have re-aligned resources to reflect spending profiles and the nature of expenditure.
- 6.3 All changes made to the 2011/2012 Programme are analysed in Appendix A and show an overall increase of £1.298m. This comprises:
  - a reduction of £0.863m from approvals reprofiled into future programmes
  - an increase of £1.884m from external funding:
    - Flood Alleviation Grants
    - LCC contribution to Registry Office in 52 Derby Street
    - Air Source Heating Grant in Bickerstaffe
  - a reduction of £0.101m from transferring expenditure to the GRA to reflect the nature of expenditure

- transferred and additional funding of £0.388m from the HRA for a number of Housing Public Sector schemes
- £0.01m of Capital receipt funding being transferred to the Capital Pot for future consideration.
- using savings identified in the capital mid year review to fund investment in solar photovoltaic schemes which is the subject of a separate report elsewhere on the Cabinet agenda.

6.4 The Revised Capital Programme totals £12.491m for 2011/2012. This is analysed by Division in Appendix B along with a summary of the revised capital resources available. The Programme will also be amended depending on decisions taken by Members in relation to the Land Disposal for Affordable Housing report which is a separate item elsewhere on the Cabinet Agenda.

## **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 £3.14m (25%) of expenditure having been incurred by the mid-year. This is slightly higher than the £2.673m (24%) at the same point in 2010/2011 and compares to £2.398m (19%) in 2009/2010 and £3.448m (29%) in 2008/2009.

7.3 There is also currently around £0.95m of committed expenditure due to take place over the coming months. Taking this into account would show an increase in the percentage spend against the Revised Programme to 33%.

7.4 Appendix C provides the Directorate Service Heads' comments on the progress of schemes against the Revised Programme. Housing Public Sector schemes represent 59% 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 2011/2012 Revised Capital Programme as shown in Appendix A.

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 Members are aware that, in recent years, receipts from this source have fallen dramatically. The budget for usable capital receipts to be generated from Council House sales in the year is £0.175m from 16 sales. At the beginning of October, 6 sales have been completed generating £0.091m. Consequently, it looks likely that this budget target will be met albeit with fewer sales.
- 8.4 In addition to receipts from council house sales, the Council budget includes £0.05m for receipts from land sales in line with the Asset Management Strategy. To date there have been no land sales.
- 8.5 A full review of expenditure plans and funding availability for future years is progressing. This will be considered 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.

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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 Summary of Changes to 2011/2012 Capital Programme
- B 2011/2012 Revised Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- C Directorate Service Heads' Comments at Mid-Year
- D Minute of Cabinet – 15 November 2011 (*Executive Overview and Scrutiny Committee and Council only*)
- E Minute of Executive Overview and Scrutiny Committee – 1 December 2011 (*Council only*)