



**AGENDA ITEM: 8**

**CABINET: 13 November 2012**

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:  
29 November 2012**

**COUNCIL: 19 December 2012**

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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 2012/2013**

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Wards Affected: Borough wide

**1.0 PURPOSE OF THE REPORT**

1.1 To agree a Revised Capital Programme for 2012/2013 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 and budget adjustments 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 29<sup>th</sup> November and Council on 19<sup>th</sup> 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 virements and budget adjustments contained within it, 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 2012/2013, 2013/2014 and 2014/2015 were approved by Council in February, 2012.
- 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 and Executive Overview and Scrutiny in September 2012 and reported on a Capital Programme of £13.414m for 2012/2013.

## **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 All of the proposed changes to the 2012/2013 Programme are analysed in Appendix A and show an overall reduction of £0.052m. This comprises:
  - a reduction of £1.102m from approvals reprofiled into future years
  - an increase of £0.603m in external funding from Environment Agency Grants and Disabled Facilities Grants
  - a reduction of £0.103m from transferring expenditure to the GRA to reflect the nature of expenditure
  - transferred additional funding of £0.525m from the HRA for a number of Housing Public Sector schemes
  - £0.139m of Capital receipt funding no longer required being transferred to the Capital Pot for consideration in the budget process
  - An additional £0.164m section 106 funding recently approved at Cabinet for parks and recreation areas.

6.3 The Revised Capital Programme totals £13.362m for 2012/2013. This is analysed by Service in Appendix B along with a summary of the revised capital resources available. These Programme figures may need to be amended depending on decisions taken by Members in relation to the Procurement of Kitchen and Bathroom Refurbishment Contracts 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 £4.034m (30%) of expenditure having been incurred by the mid-year. This is an improvement on previous years' performance: £3.14m (25%) at the same point in 2011/2012, £2.673m (24%) in 2010/2011, and £2.398m (19%) in 2009/2010.

7.3 There is also currently around £0.559m 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 34% which is a slight improvement on the performance of 33% at the mid year point in 2011/2012.

7.4 Appendix C provides the Heads of Services' comments on the progress of schemes against the Revised Programme. Housing Public Sector schemes represent 68% 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 2012/2013 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, 7 sales have been completed generating £0.075m. Consequently, it looks likely that this budget target will not be met if the current pattern continues.

- 8.4 The Government have recently changed the rules relating to Right to Buy sales by increasing the discount cap to £75,000 (from £26,000). This has meant that the average receipt from each sale has reduced. However, this has not led to an increase in sales as it appears that potential buyers are still experiencing difficulties in obtaining mortgages, even at the reduced sales price.
- 8.5 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. Following the success of the Strategic Asset Management Plan, which is discussed elsewhere on this agenda, to date one land sale has generated £0.015m and there are a further 4 potential sales due by the end of the financial year which could generate a total of £0.25m in receipts.
- 8.6 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 2012/2013 Capital Programme
- B 2012/2013 Revised Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- C Heads of Services - Comments at Mid-Year
- D Minute of Cabinet – 13 November 2012
- E Minute of Executive Overview and Scrutiny Committee – 29 November 2012