



CABINET: 08 November 2016

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE:
24 November 2016**

COUNCIL: 14th December 2016

Report of: Borough Treasurer

Relevant Portfolio Holder: Councillor C. Wynn and Councillor J. Patterson

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SUBJECT: REVISED CAPITAL PROGRAMME AND MID YEAR REVIEW 2016/2017

Wards affected: Borough wide

1.0 PURPOSE OF REPORT

- 1.1 To agree a Revised Capital Programme for 2016/2017 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 re-profiling, 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 24th November and Council on 14th 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 re-profiling, 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 GRA Capital Programme is set on a three-year rolling basis and the Programmes for 2016/2017, 2017/2018 and 2018/2019 were approved by Council in February 2016. A one year HRA Capital Programme was agreed by Council in February 2016 as a result of the difficult financial position facing the HRA. This programme will be reviewed in the light of the HRA Policy Options report agreed by Council in October 2016.
- 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 2016 and reported on a total Capital Programme of £21.569m for 2016/2017. This comprised a GRA Programme of £5.734m and a Housing Public Sector Capital Programme of £15.835m.

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 and available
 - Anticipated levels of demand
- 6.2 The proposed changes to the 2016/2017 Programme are analysed in Appendix A. This shows an overall increase of £2.082m for the GRA, primarily as a result of the inclusion of the purchase of the Wearsheaf Walk site in Ormskirk, which was agreed by Council in May 2016.
- 6.3 The revised GRA Capital Programme totals £7.816m for 2016/2017 following these changes. This is analysed by service in Appendix B along with a summary of the revised capital resources available.

- 6.4 The proposed changes to the HRA would reduce the size of the programme from £15.835m to £14.750m, primarily as the result of re-profiling expenditure on the Bathroom replacement scheme into the next financial year.

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 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 by the year end.
- 7.2 For the current year, £4.581m (59%) of expenditure has been incurred by the mid-year. This is higher than the position of the previous 3 financial years due to £3.014m expenditure on the Wheatsheaf Walk site purchase. It is anticipated that most schemes will be largely completed by the end of the financial year. Comparisons to previous years' programmes are shown in Table 1.

Year	Expenditure £m	Budget £m	% spend against Budget
2016/2017	4.581	7.816	59%
2015/2016	2.177	10.127	21%
2014/2015	0.795	3.467	23%
2013/2014	1.057	4.421	24%

- 7.3 Appendix B details spending on the HRA Capital Programme by scheme. This shows total spending of £4.749m by September 2016, which represents 32% of the total budget for the year. In the previous year spending was £4.823m or 29% by the mid year point.
- 7.4 Appendix C provides Heads of Service comments on the progress of schemes against the revised programme.

8.0 CAPITAL RESOURCES

- 8.1 There are sufficient resources identified to fund the 2016/2017 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 The budget for useable capital receipts to be generated from Council House sales in the year is set at £0.480m from 30 sales. However at the mid-year point 36 sales had been completed generating £0.656 m of useable capital receipts.
- 8.4 Retained proceeds generated by Council House sales are now split between general useable capital receipts (detailed above), and one for one Replacement funding. At the mid year point £0.188m of additional 141 funding has also been generated, which can only be used on new housing schemes.
- 8.5 In addition to receipts from council house sales the Council also has a programme to sell plots of its land and other assets under the Strategic Asset Management Plan (SAMP). The budget for this in the 2016/2017 Programme is £550,000. To date there has been 5 land sales generating £146,000.
- 8.6 Useable Capital Receipts generated to date are analysed in Table 2:

Category	Estimate £'000	Actual £'000	% Received against Budget
Right to Buy Sales	480	656	137%
SAMP Sales	550	146	27%
Total	1030	802	78%

- 8.7 The level of receipts generated at the mid-year point is above the budget target to date, and consequently it can be expected that the budget target for the year will be exceeded.

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 fluctuations 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.

Appendices

- A Summary of changes to the 2016/2017 GRA Capital Programme
- B 2016/2017 Revised GRA Capital Programme Expenditure and Resource Budgets and Mid Year Performance
- C Heads of Service Comments
- D Minute of Cabinet 8 November 2016 (Executive Overview and Scrutiny Committee and Council)
- E Minute of Executive Overview and Scrutiny Committee 24 November 2016 (Cabinet only) – to follow