

CABINET

9 JUNE 2010

PRINCIPAL SCRUTINY COMMITTEE

14 JUNE 2010

CAPITAL EXPENDITURE OUTTURN 2009/10

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB1886: Capital Strategy 2009, 16 September 2009](#)

[CAB1963: Capital Programme 2009/10 to 2013/14, 3 February 2010](#)

[CAB1964: Budget & Council Tax 2010/11, 3 February 2010](#)

EXECUTIVE SUMMARY:

Total capital expenditure in the year 2009/10 was £11.266m, which was £4.193m lower than the Revised Budget of £15.459m. Requests to carry forward unspent capital budgets to 2010/11 amount to £3.296m (of which £0.443m was committed at the year end).

The closing balance on the Usable Capital Receipts Reserve was £4.747m at 31st March 2010, compared with a budget of £2.364m.

The Capital Financing Requirement at 31st March 2010 was £2.603m compared with a Revised Budget of £3.078m.

RECOMMENDATIONS:

That the Cabinet:

1. notes the capital expenditure and financing for 2009/10 and the implications on the future capital programme, and
2. That it be recommended to Council:

THAT THE CARRY FORWARD OF CAPITAL BUDGET TOTALLING £3.296M FROM 2009/10 (AS DETAILED IN APPENDIX A OF THE REPORT) BE APPROVED, IN ACCORDANCE WITH FINANCIAL PROCEDURE RULE 7.9.

That Principal Scrutiny Committee:

1. Considers whether there are any matters of significance which it wants to draw to the attention of Cabinet, a portfolio holder or the Statement of Accounts Committee.

CABINET9 JUNE 2010PRINCIPAL SCRUTINY COMMITTEE14 JUNE 2010CAPITAL EXPENDITURE OUTTURN 2009/10REPORT OF HEAD OF FINANCE1 Introduction

1.1 This report provides an overview of the actual (outturn) capital expenditure for the financial year 2009/10 compared with the Revised Capital Estimate, and the associated financing.

2 The Council's Capital Expenditure and Financing 2009/10

2.1 The Original capital expenditure budget for the year was set in February 2009 at £14.325m. The Programme was revised in the year to £15.459m (per [CAB1963](#)), and the actual capital expenditure in the year amounted to £11.266m.

2.2 However, the final accounts will also reflect an accounting adjustment to reclassify expenditure on the Flexible Working Project (in 2008/09) from Capital to Revenue (£0.198m), funded by the Major Investment Reserve.

2.3 The table below summarises the capital expenditure and financing:

	2008/09 Actual £000's	2009/10 Revised Estimate £000's	2009/10 Actual £000's
General Fund capital expenditure	2,976	11,365	8,265
HRA capital expenditure	3,594	4,094	3,002
GF Adjustment			(198)
Total capital expenditure	6,570	15,459	11,069
Resourced by:			
Capital receipts (GF & HRA)	5,674	3,657	3,460
Capital grants (External Funding)	575	1,638	1,180
Capital reserves (HRA MRA)	3,094	3,244	2,923
Revenue (Earmarked Res. / MIR)	381	1,825	903
Total Resources Applied	6,570	11,802	8,466
Capital Financing Requirement	0	3,078	2,603

- 2.4 More detail on the financing of capital expenditure in 2009/10, together with the proposed financing of budgets requested to be carried forward is provided at Appendix B.

3 Capital Expenditure

- 3.1 Appendix A provides the detail of all expenditure in the year compared with Revised Estimate, plus requests for budget to be carried forward. The highest spending items in 2009/10 are listed below:

CAPITAL EXPENDITURE OUTTURN	2009/10 £'000
Housing Major Repairs	2,925
Purchase of Property	2,434
Tower Street car park	1,303
Disabled Facilities & Home Improvement grants	688
Affordable Housing Regeneration	595
Property Acquisition	468
Guildhall /Community Facilities	416
Winchester High Street	250
Open Space & Recreation Facilities	247
River Park Leisure Centre (RPLC)	220
ICT e-govt	207
ICT Equipment	200
Alresford (Putting Pedestrians First)	200
Synthetic Turf pitch (Henry Beaufort School)	130
Other - individual projects spending below £100,000	983
Total	11,266

- 3.2 The outturn capital expenditure compares to the Revised Capital Estimate for 2009/10 as follows:

	2009/10 £'000	2009/10 £'000
Revised Capital Estimate		15,459
<u>Less:</u>		
Net underspends – <i>not</i> to be carried forward (<i>see below</i>)		897
Committed at 31 st March 2010 – but unspent – budget to be carried forward	443	
Not committed at 31 st March 2010 – budget requested to be carried forward	2,853	
Total requested to be carried forward to 2010/11		3,296
Actual Capital Expenditure in 2009/10 (see Appendix A)		11,266

- 3.3 Within the £897,000 “net underspends not to be carried forward” is:
- a) £244,000 in relation to Disabled Facility Grants (DFGs). The 2010/11 budget of £558,000 is sufficient to cover the demand for these grants so no carry forward is required.
 - b) £232,000 of General Fund Affordable Housing. Total receipts from the sale of HRA houses and developers’ contributions were lower than budgeted; only the balances remaining at the year end are carried forward to 2010/11.
 - c) £164,000 in relation to the Westgate Museum Roof. The actual cost of re-roofing the Museum was considerably less than the approved budget. This was because the scope of the works activity required was limited to the replacement of sheet lead coverings, with no works required to the super-structure as had been anticipated.
 - d) £257,000 net underspend from various other capital projects shown in Appendix A.
- 3.4 Some of the spending was higher than budgeted:
- a) Open Spaces & Recreation Facilities was £17,000 higher than the Revised Budget. This overspend was on open spaces funded activity so the additional expenditure is fully funded within the open spaces programme.
 - b) Abbey Gardens Toilets was £16,000 higher than the Revised Budget. This was because, whilst some savings were achieved (for example with the drainage), there were some significant additional works that had to be carried out to complete the project.
 - c) CCTV was £12,000 higher than revised budget. The total CCTV budget of £600,000 was slipped at Revised Budget to 2010/11; this earlier than expected expenditure will be met by reducing the 2010/11 budget.
 - d) Village Community Shop Grants, funded from the Local Authority Business Growth Incentive (LABGI) earmarked reserve, was £6,000 higher than Revised Budget. This additional expenditure will be met from the 2010/11 Community Shop Grants budget.

4 Usable Capital Receipts Reserve

- 4.1 The movement on the Usable Capital Receipts Reserve in 2009/10 compared with the Revised Budget assumptions is shown at Appendix C. The closing balance at 31st March 2010 is £4.747m compared with the Revised Budget of £2.364m; a favourable variance of £2.382m. The financing of proposed carry forwards from this reserve would be £1.526m.

4.2 Actual capital receipts in the year were slightly higher than the Revised Budget (see Appendix C).

5 Performance Reward Grant

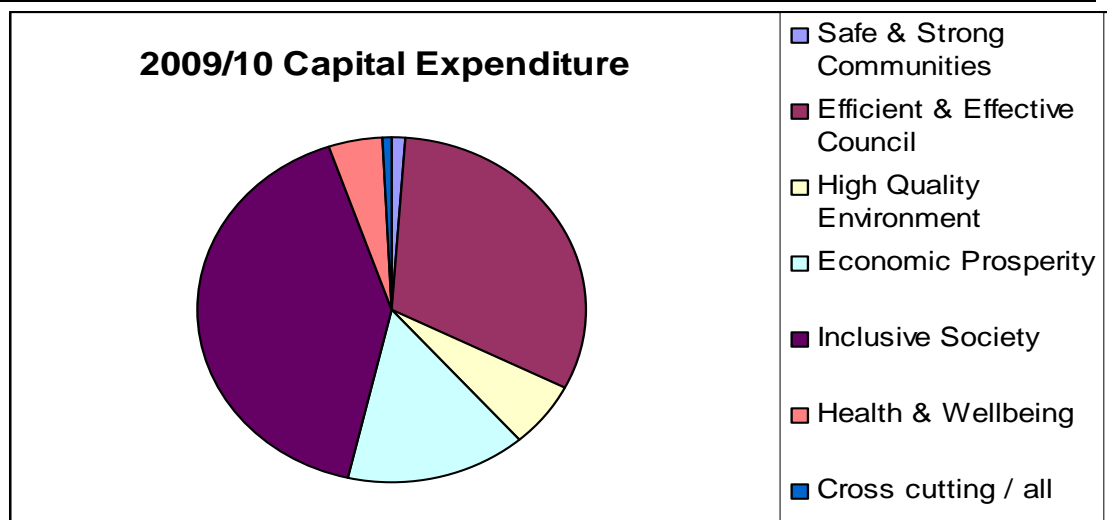
5.1 Capital Performance Reward Grant for 2009/10 was £124,637, with the same amount to be received in 2010/11. None of this was spent in the year and it has been carried forward on the Balance Sheet as "Grants and Contributions Unapplied". A separate report will make proposals for the application of this grant.

OTHER CONSIDERATIONS:

6 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

6.1 The preparation of the capital budget is aligned to the Sustainable Community Strategy and Capital Strategy and supports the achievement of the corporate business plan. The main corporate priority is identified for each line of capital expenditure in the programme. Capital Expenditure in 2009/10 was identified against the corporate priorities as follows:

Corporate Priority	Revised Estimate £000	Actual £000
Safe & Strong Communities	£178	£111
Efficient & Effective Council	£ 4,541	£3,556
High Quality Environment	£ 718	£674
Economic Prosperity	£ 1,859	£1,707
Inclusive Society	£ 7,211	£4,626
Health & Wellbeing	£ 846	£ 500
Cross cutting / all	£ 106	£ 92



For more detail see Appendix A.

7 RESOURCE IMPLICATIONS:

- 7.1 The revenue consequences of the outturn capital expenditure are reflected in the Revenue outturn report, elsewhere on this agenda (CAB2014). Lower than budgeted capital expenditure has resulted in higher cash balances, which is beneficial to interest income, albeit at modest interest rates.
- 7.2 As planned at the Revised Budget stage, some of the expenditure was unfunded and created a Capital Financing Requirement amounting to £2.603m. This was in relation to the purchase of the lease of the West Wing and partial funding of the ongoing Guildhall refurbishment works.
- 7.3 After allowing for carry forward requests, the Council's reserves are £733k better than budgeted as follows:

	<u>£'000</u>	<u>£'000</u>
Capital expenditure budget for 2009/10		15,459
<i>Less: Actual capital expenditure</i>		11,266
= Net Underspend		<u>4,193</u>
<i>Less:</i>		
External financing & Capital receipts – not receivable		164
Net available budget underspend		<u>4,029</u>
<i>Less: Carry forward Requests</i>		3,296
Total net budget “released”		<u>733</u>
Higher reserves:		
Car Park Property	43	
Capital Receipts	410	
Major Investment Reserve	280	
Total higher reserves		<u>733</u>

Appendix B provides the details.

8 RISK MANAGEMENT ISSUES

- 8.1 The main risk in relation to actual capital expenditure is to ensure that spending does not occur in advance of funding being available. This particularly applies where spend is to be funded by forecast capital receipts. For 2009/10 this risk was adequately managed.

8.2 A number of earmarked reserves, that previously supported the capital programme, are either fully or nearly exhausted. The implications of this will be considered in the next review of the Capital Strategy and Programme.

BACKGROUND DOCUMENTS:

Operational and financial records held in Finance and other Divisions.

APPENDICES:

Appendix A: Capital Expenditure Outturn 2009/10 compared with Revised Estimate – variance analysis

Appendix B: Financing of Capital Expenditure 2009/10

Appendix C: Usable Capital Receipts Reserve

CAPITAL EXPENDITURE OUTTURN 2009/10								ADDITIONAL INFORMATION
	Corporate Priority	Funding	REVISED CAPITAL ESTIMATE	ACTUAL EXPENDITURE	LOWER / (HIGHER) THAN BUDGETED	CARRY FORWARD /(BACK) REQUESTED	of which COMMITTED at 31 March 2010	
			£000	£000	£000	£000	£000	
GENERAL FUND								
COMMUNITIES & SAFETY								
Capital Grants	All	MIR	106	92	14	14	14	Capital Grants allocated but not completed at the year end Project Slippage.
"Ok to Play" project	H&W	EF	118	45	73	73	73	
Playbuilder	H&W	EF	35	34	1			
			259	171	88	87	87	
ECONOMY & TOURISM								
Alresford 'Putting Pedestrians First'	EP	EF / MIR	215	200	15	15	15	Project Slippage to early 2010/11.
Tourist Info Centre Electrical Works	EP	ER	25	25	-			
Tourist Info. Centre Improvements	EP	CR	30	30	(0)			Earlier spend - to be met from 2010/11 budget (carry back)
Village Community Shop Grants	EP/IS	ER	40	46	(6)	(6)		
			310	302	8	9	15	
ENVIRONMENT								
Abbey Gardens Public Toilets	HQE	CR	62	78	(16)			Higher costs because of some unforeseen additional works Higher expenditure in the year was funded by the Open Space fund, which will also fund £20k of the commitments.
Open Space & Recreation Facilities	HQE	EF/CR	230	247	(17)	22	22	
Replacement Bins	HQE	CR	9	13	(4)			
			301	337	(36)	22	22	
FINANCE & EFFICIENCY								
Abbey House	E&EC	CR	16	-	16	16	-	Slippage of project regarding modifications to the heating & gas supply. Works are due to start early 2010/11.
Abbey Mill	S&S	CR / CFR	100	20	80	80	-	
Avalon House	E&EC	CFR	724	27	697	697	-	
Avalon House Purchase of Land	E&EC	CR	21	22	(1)	(1)		Slippage of project into 2010/11.
City Offices	E&EC	CR	24	5	19			
Financial System	E&EC	CR	220	96	124	124	109	Slippage of project, new go live date of 1 Oct 2010. Completed under budget.
Guildhall - Walton Room Roof	E&EC	CR	111	70	41			
Guildhall Community Facilities/Bapsy Bequest	IS	EF/CFR	600	346	254	254		Profile of works and expenditure later than budgeted.
Property Acquisition	E&EC	ER/CR	475	468	7			
Museum Storage (F2)	E&EC	CR	60	26	34	34	-	Slippage of project into 2010/11.
Purchase of Property	E&EC	CFR / CR	2,465	2,434	31			
Winnall Moors Project	HQE	MIR	10	10	-			
			4,826	3,525	1,301	1,203	109	
HERITAGE, CULTURE & SPORT								
Discovery Centre Fit Out	EP	ER	8	7	1			Remainder of approved £205k budget carried forward. £93k of budget to be released.
Synthetic Turf Pitch (Henry Beaufort School)	H&W	EF	130	130	-			
Meadowside	H&W	CR	17	15	2			
River Park Leisure Centre - Essential Repairs	H&W	CR	326	220	106	13	3	Scope of works was reduced.
Westgate Museum Roof	H&W	CR	220	56	164			
			701	428	273	13	3	
HOUSING								
Affordable Hsg funded by Developers' contributions	IS	EF	258	-	258	106		Funds received and unspent in 2009/10 available to be spent in 2010/11
Affordable Housing Regeneration	IS	CR	1,324	595	729	649		
Choice Based Lettings	IS	EF	68	68	0			Budget carry forward to cover commitments
Disabled Facility Grants (Mandatory)	IS	EF / MIR	816	505	311	67	67	
Home Improvement Grants (Discretionary)	IS	MIR	203	183	20	5	5	
			2,669	1,350	1,319	827	72	
PERFORMANCE & ORG. DEV.								
ICT e-govt	E&EC	ER / CR	225	207	18			

CAPITAL EXPENDITURE OUTTURN 2009/10								ADDITIONAL INFORMATION
	Corporate Priority	Funding	REVISED CAPITAL ESTIMATE	ACTUAL EXPENDITURE	LOWER / (HIGHER) THAN BUDGETED	CARRY FORWARD /(BACK) REQUESTED	of which COMMITTED at 31 March 2010	
			£000	£000	£000	£000	£000	
ICT Equipment	E&EC	CR	200	200	0			
			425	407	18	-	-	
PLANNING & ACCESS								
Car Parks	EP	ER	238	96	142	100	100	Slippage of Chesil resurfacing (£90k) and other works (£10k).
CCTV	S&S	CR	-	12	(12)	(12)		Earlier spend - to be met from 2010/11 budget (carry back)
Footpath Improvement Scheme	S&S / HQE	EF/CR	35	36	(1)			
Parchment Street Enhancement	S&S / HQE	EF/MIR	43	43	(0)			
Rural Transport	IS	MIR	5	5	(0)			
Tower Street	EP	CR	103	103	-			
Tower Street Car Park	EP	CR	1,200	1,200	-			
Winchester High Street	HQE	ER	250	250	-			
			1,874	1,744	130	88	100	
Total General Fund			11,365	8,265	3,100	2,249	408	
HOUSING REVENUE ACCOUNT								
HOUSING								
Major repairs	IS	EF	3,244	2,925	319	319		Underspend C/F to support 2010/11 programme
Re-investment in stock condition	IS	CR	693	-	693	693		Planned sales in 2009/10 occurred later in the year, and therefore will be used to contribute to the 2010/11 programme to fund kitchen/bathroom works.
PLANNING & ACCESS								
Sewage Treatment Works	HQE	CR	157	77	80	35	35	Relating to works at Itchen View which are committed.
Total Housing Revenue Account			4,094	3,002	1,092	1,047	35	
Grand Total			15,459	11,266	4,193	3,296	443	
Corporate Priority Key								
(E&EC) Efficient & Effective Council			4,541	3,556	985	870	109	
(EP) Economic Prosperity			1,859	1,707	152	109	115	
(S&S) Safe & Strong Communities			178	111	67	68	0	
(HQE) High Quality Environment			718	674	44	57	57	
(IS) Inclusive Society			7,211	4,626	2,585	2,093	72	
(H&W) Health & Wellbeing			846	500	346	86	76	
ALL			106	92	14	14	14	
			15,459	11,266	4,193	3,296	443	

CAPITAL PROGRAMME FINANCING 2009/10							
		REVISED ESTIMATE	ACTUAL	LOWER / (HIGHER) THAN BUDGET	CARRY FORWARD /(BACK) FINANCING	Net underspent reserves (after carry forward)	Lower Receipts in the year
		£000	£000	£000	£000	£000	£000
General Fund							
EXTERNALLY FUNDED							
Government Grants							
Capital Grant (DFG)	CG	491	496	(5)			5
Total Government grants		491	496	(5)	-	-	5
External contributions							
Developers' contributions	DC	258	-	258	106		151
Alresford 'Putting Pedestrians First'		175	175	0			
Footpath Improvement Scheme		17	15	2			2
Playbuilder		35	34	1			1
Parchment Street Enhancement		15	15	(0)			
Partnership - Choice Based Lettings	EF	68	68	0			
Bapsy Bequest	EF	231	53	178	178		
Lottery - It's Ok to Play	EF	118	45	73	73		
Open Space Fund	OS	230	275	(45)	20		65
Total External Contributions		1,147	680	467	377	-	89
TOTAL EXTERNALLY FUNDED		1,638	1,176	462	377	-	84
Earmarked Reserves							
Car Park Property	ER	239	96	143	100	43	
ICT Strategy Reserve	ER	12	11	0			
Bapsy Bequest Interest	ER	369	45	324	324		
Property Fund	ER	175	95	80	80		
LABGI	LABGI	298	304	(6)	(6)		
Total Earmarked Reserves		1,093	551	542	498	43	-
Capital Receipts Excluding Housing	CR	3,500	2,989	511	149	365	
Capital Financing Requirement		3,078	2,603	475	475		
Major Investment Reserve	MIR	732	351	381	101	280	
Total General Fund excluding Housing		10,041	7,669	2,371	1,600	688	84
Housing							
Government Grants							
Major Repairs Allowance	MRA	3,244	2,925	319	319	-	
Capital Receipts	CR	157	77	80	35	45	
Disposal of dwellings	CR	2,017	595	1,422	1,342		80
Total Housing Revenue Account		5,418	3,597	1,821	1,696	45	80
Total Financing of Capital Programme		15,459	11,266	4,193	3,296	733	164

USABLE CAPITAL RECEIPTS RESERVE			
Non Housing	Revised Estimate 2009/10 £000	Actual 2009/10 £000	Variance 2009/10 £000
USABLE CAPITAL RECEIPTS RESERVE (Non-Housing)			
Opening Balance b/fwd	(5,435)	(5,435)	0
Asset Sales (Other)	(100)	(101)	1
Financing of Capital Programme	3,500	2,989	511
Adjustments	0	(202)	202
Closing Balance c/fwd	(2,035)	(2,749)	714
Housing	Revised Estimate 2009/10 £000	Actual 2009/10 £000	Variance 2009/10 £000
USABLE CAPITAL RECEIPTS RESERVE (Housing)			
Opening Balance b/fwd	(1,253)	(1,253)	0
Asset Sales (RTB)	(1,000)	(627)	(373)
Pooling	750	465	285
Asset Sales (Other HRA)	(1,000)	(1,254)	254
Financing of Capital Programme	2,174	672	1,502
Closing Balance c/fwd	(329)	(1,997)	1,668
Total Closing Balance c/fwd	(2,364)	(4,747)	2,382
Capital Financing Requirement (CFR) - in year	3,078	2,603	475
Capital Financing Requirement (CFR) - Cumulative	3,078	2,603	475