

CABINET

6 JULY 2011

THE OVERVIEW & SCRUTINY COMMITTEE

11 JULY 2011

CAPITAL EXPENDITURE OUTTURN 2010/11

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB2056: Capital Strategy & Programme 2010/11 – 2013/14, 13 October 2010](#)

[CAB2112: Capital Programme 2010/11 to 2013/14, 9 February 2011](#)

[CAB2125: Budget & Council Tax 2011/12, 9 February 2011](#)

EXECUTIVE SUMMARY:

Total capital expenditure in the year 2010/11 was £9.875m, which was £3.174m lower than the Revised Budget of £13.048m. Requests to carry forward unspent capital budgets to 2011/12 amount to £1.789m (of which £0.519m was committed at the year end).

The closing balance on the Usable Capital Receipts Reserve was £4.486m at 31<sup>st</sup> March 2011, compared with a budget of £3.335m.

The Capital Financing Requirement for 2010/11 was £1.591m, slightly lower than the Revised Budget of £1.905m because some of the planned spend has not yet been incurred.

**RECOMMENDATIONS:**

That the Cabinet:

1. notes the capital expenditure and financing for 2010/11 and the implications on the future capital programme, and
2. That it be recommended to Council:

THAT THE CARRY FORWARD OF CAPITAL BUDGET TOTALLING £1.789M FROM 2010/11 (AS DETAILED IN APPENDIX A OF THE REPORT) BE APPROVED, IN ACCORDANCE WITH FINANCIAL PROCEDURE RULE 7.9.

That The Overview & Scrutiny Committee:

1. Considers whether there are any matters of significance that it wants to draw to the attention of Cabinet, a portfolio holder or the Council.

CABINET6 JULY 2011THE OVERVIEW & SCRUTINY COMMITTEE11 JULY 2011CAPITAL EXPENDITURE OUTTURN 2010/11REPORT OF HEAD OF FINANCE1 Introduction

- 1.1 This report provides an overview of the actual (outturn) capital expenditure for the financial year 2010/11 and the associated financing, compared with the Revised Capital Estimate.

2 The Council's Capital Expenditure and Financing 2010/11

- 2.1 The Original capital expenditure budget for the year was set in February 2010 at £19.320m (CAB1963). The Programme was revised in the year to £13.048m (CAB2112), and the actual capital expenditure in the year amounted to £9.875m.

- 2.2 The table below summarises the capital expenditure and financing:

	<b>2009/10 Actual £000's</b>	<b>2010/11 Revised Estimate £000's</b>	<b>2010/11 Actual £000's</b>
<u>Capital Expenditure:</u>			
General Fund (GF)	8,067	8,501	5,639
Housing Revenue Account (HRA)	3,002	4,547	4,236
<b>Total Capital Expenditure</b>	<b>11,069</b>	<b>13,048</b>	<b>9,875</b>
<u>Resourced by:</u>			
Capital receipts (GF & HRA)	3,460	2,755	1,040
Capital grants (External Funding)	1,180	1,538	1,237
Capital reserves (HRA MRA)	2,923	3,434	3,521
Revenue (Earmarked Res. / MIR)	903	3,416	2,486
<b>Total Resources Applied</b>	<b>8,466</b>	<b>11,143</b>	<b>8,284</b>
<b>Capital Financing Requirement</b>	<b>2,603</b>	<b>1,905</b>	<b>1,591</b>

- 2.3 More detail on the financing of capital expenditure in 2010/11, 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 a list of capital expenditure by project for the year compared with the Revised Estimate, plus requests for budget to be carried forward. The highest spending items in 2010/11 are listed below:

<b>CAPITAL EXPENDITURE OUTTURN</b>	<b>2010/11 £'000</b>
Major Repairs (HRA)	4,133
Guildhall Community Facilities / Bapsy Bequest	2,962
Disabled Facility Grants (DFGs)	463
CCTV	431
Knowle Community Building	412
Winchester High Street	320
Other projects	1,154
<b>Total</b>	<b>9,875</b>

- 3.2 The outturn capital expenditure compares to the Revised Capital Estimate for 2010/11 as follows:

	<b>2010/11 £'000</b>	<b>2010/11 £'000</b>
<b><u>Revised Capital Estimate</u></b>		<b>13,048</b>
<i>Plus:</i> externally funded additional expenditure		21
<i>Less:</i>		
Underspends not to be carried forward		-1,443
Unspent Budget to be carried forward - Committed at 31 <sup>st</sup> March 2011	-519	
Unspent Budget requested to be carried forward - Not committed at 31 <sup>st</sup> March 2011	-1,270	
<b>Total Budget requested to be carried forward to 2011/12</b>		<b>-1,789</b>
Budget b/back from 2011/12 - Avalon House		<b>38</b>
<b>Actual Capital Expenditure in 2010/11 (see Appendix A)</b>		<b>9,875</b>

- 3.3 Externally funded additional expenditure relates to Abbey Gardens East Works funded from the Open Spaces Fund.

- 3.4 Total Budget Carry Forward Requests amount to £1.789m of which £0.519m is committed. Details are provided in Appendix A.
- 4 Usable Capital Receipts Reserve
- 4.1 The movement on the Usable Capital Receipts Reserve in 2010/11 compared with the Revised Budget assumptions is shown at Appendix C. The closing balance at 31<sup>st</sup> March 2011 is £4.446m compared with the Revised Budget of £3.335m; a favourable variance of £1.111m. The financing of proposed carry forwards from this reserve would be £0.457m.
- 4.2 Actual capital receipts in the year were lower than anticipated in the Revised Budget (see Appendix C).
- 4.3 The External Auditors have raised a query in relation to the Council's retained capital receipts which is being taken up with the DCLG. Whilst this query is outstanding an equivalent amount is being retained and will not be committed until the matter has been resolved.

OTHER CONSIDERATIONS:

5 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 5.1 The preparation of the capital budget for 2010/11 was aligned to the Sustainable Community Strategy and Capital Strategy to support 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 2010/11 was identified against the corporate priorities as follows:

Corporate Priority	Revised Estimate £000	Actual £000
Active Communities	8,015	5,904
Prosperous Economy	49	45
High Quality Environment	853	570
Transformation & Resources	4,131	3,356
<b>Total</b>	<b>13,048</b>	<b>9,875</b>

For more detail see Appendix A.

6 RESOURCE IMPLICATIONS:

- 6.1 The revenue consequences of the outturn capital expenditure are reflected in the Revenue outturn report, elsewhere on this agenda (CAB2175). Lower than budgeted capital expenditure has resulted in higher cash balances, which is beneficial to interest income, albeit at modest interest rates.

6.2 As planned at the Revised Budget stage, some of the expenditure was unfunded and created a Capital Financing Requirement amounting to £1.591m. This was in relation to the Guildhall refurbishment works and Hyde capital works.

## 7 RISK MANAGEMENT ISSUES

7.1 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.

7.2 In respect of the query that has been raised in relation to the Council's capital receipts an equivalent amount is being retained and will not be committed until the matter has been resolved.

7.3 A number of earmarked reserves, that previously supported the capital programme, are either fully or nearly exhausted. The ongoing 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 2010/11 compared with Revised Estimate – and Budget Carry Forward Requests

Appendix B: Financing of Capital Expenditure 2010/11

Appendix C: Usable Capital Receipts Reserve

CAPITAL EXPENDITURE OUTTURN 2010/11							
	Funding *	Revised Capital Estimate	Actual Expenditure	LOWER / (HIGHER) THAN BUDGETED	CARRY FORWARD REQUESTED	of which COMMITTED at 31 March 2011	ADDITIONAL INFORMATION
		£000	£000	£000	£000	£000	
<b>GENERAL FUND</b>							
<b>ACTIVE COMMUNITIES</b>							
Affordable Housing / Regeneration	CR - H	1,033	-	1,033	-		
Affordable Hsg funded by Developers' contributions	EF	269	27	242	242		
Capital Grants	MIR	124	45	79	79	79	Carry forward of grants awarded
CCTV	CR	588	431	157	157	157	For the completion of the contract
Disabled Facility Grants (Mandatory)	EF / MIR	567	463	104	104	85	23k not committed but would be used in 2011/12 for clients on the waiting list
Home Improvement Grants (Discretionary)	MIR	85	73	12	12	4	8k not committed but would be used for emergency cases
Knowle Community Building	MIR	412	412	-	-		Project complete
"Ok to Play" project	EF	73	73	-	-		Project complete
Push4Safer Homes	EF	85	-	85	-		Southampton CC is the accountable body for this project
River Park Leisure Centre - Essential Repairs	CR	183	145	38	38		Carry forward of project budget relating to 2011/12 works
Whiteley Community Facility	ER	50	-	50	50		Project has been deferred to 2011/12
		3,468	1,668	1,800	682	325	
<b>PROSPEROUS ECONOMY</b>							
Alresford 'Putting Pedestrians First'	MIR	15	17	(2)	-		Project complete
Village Community Shop Grants	ER	34	28	6	6	6	Budget carry forward to cover grants awarded
		49	45	4	6	6	
<b>HIGH QUALITY ENVIRONMENT</b>							
Abbey Gardens East Works	EF	-	21	(21)	-		Unbudgeted East Toilet Block works, funded by the Open Space fund
Car Parks	ER	220	122	98	-		See CAB2137 for latest Car Parks Major Works plan
Open Space & Recreation Facilities	EF	23	23	0	-		
Tower Street	CR	100	74	26	26	26	To enable remaining lighting works (new distribution boards) to be completed
Winchester High Street Improvement works	ER	250	250	-	-		
Winchester High Street Improvements - Furniture	MIR	100	70	30	30		Cost of artwork project only remaining
The Square, Winchester	ER	150	-	150	150		Works now out to tender. Contract will be let during late May/ early June through HC
Winnall Moors Project	MIR	10	10	-	-		
		853	570	283	206	26	

CAPITAL EXPENDITURE OUTTURN 2010/11							ADDITIONAL INFORMATION
	Funding *	Revised Capital Estimate	Actual Expenditure	LOWER / (HIGHER) THAN BUDGETED	CARRY FORWARD REQUESTED	of which COMMITTED at 31 March 2011	
		£000	£000	£000	£000	£000	
<b><u>TRANSFORMATION &amp; RESOURCES</u></b>							
Abbey House	CR	16	-	16	16		Requested carry forward to support 2011/12 works
Abbey Mill	ER	115	11	104	104		Project slippage to 2011/12
Avalon House	CFR	-	38	(38)			Carry Back from 2011/12 budget
Car Parking Server	MIR	160	21	139	139		Currently out to tender
Council Archiving and Stores (F2)	CR	6	-	6	-		
Depot	CFR	100	-	100	100		Project slippage to 2011/12
Financial System	CR	124	118	6	-		
Guildhall Community Facilities/Bapsy Bequest	EF/CFR/ER	2,969	2,962	7	7	7	
Hyde	CFR	200	2	198	198		Project slippage to 2011/12
ICT E-govt	CR	135	23	112	15		£15k e-payments (requests in relation to Retriever implementation (£58k), and upgrades/integration (£39k) will be considered when the Capital Strategy is
ICT Equipment	CR / ER	219	141	78	78	28	C/F to refresh the priority servers and data storer
Purchase of Property	CR	39	39	-	-		
Urgent Property Works	ER	48	-	48	48		
		4,131	3,356	775	705	35	
<b>Total General Fund</b>		<b>8,501</b>	<b>5,639</b>	<b>2,862</b>	<b>1,598</b>	<b>392</b>	
<b><u>HOUSING REVENUE ACCOUNT</u></b>							
<b><u>ACTIVE COMMUNITIES</u></b>							
Major repairs	EF	3,434	3,521	(87)	-		
Major repairs funded by revenue	ER	700	612	88	-		
Re-investment in stock condition	CR- H	113	-	113	-		
Orchard Upgrade	ER	100	36	64	64		Carry forward required for upgrade of the Orchard Housing Management system
Sewage Treatment Works	CR - H	200	67	133	127	127	To enable completion of programmed improvement works.
<b>Total Housing Revenue Account</b>		<b>4,547</b>	<b>4,236</b>	<b>311</b>	<b>191</b>	<b>127</b>	
<b>Grand Total</b>		<b>13,048</b>	<b>9,875</b>	<b>3,174</b>	<b>1,789</b>	<b>519</b>	

\* Key - Funding

Capital Financing Requirement	CFR
Capital Receipts	CR
Capital Receipts - Housing	CR - H
Earmarked Reserves	ER
External Funding	EF
Major Investment Reserve	MIR
Revenue Contribution to Capital	RCC
Funded by MIR then charged to the Town A/C through depreciation	MIR (Town)

<b>CAPITAL PROGRAMME FINANCING 2010/11</b>					
		REVISED ESTIMATE	ACTUAL	LOWER / (HIGHER) THAN BUDGET	CARRY FORWARD /(BACK) FINANCING
		£000	£000	£000	£000
<b>General Fund</b>					
<b>EXTERNALLY FUNDED</b>					
<b>Government Grants</b>					
Capital Grant (DFG)	CG	378	382	(4)	-
<b>Total Government grants</b>		<b>378</b>	<b>382</b>	<b>(4)</b>	<b>-</b>
<b>External contributions</b>					
Developers' contributions	DC	269	27	242	242
Bapsy Bequest	EF	710	710	-	-
Lottery - It's Ok to Play	EF	73	73	-	-
Push4Safer Homes	EF	85	-	85	-
Other	EF	-	4	(4)	-
Open Space Fund	OS	23	41	(18)	-
<b>Total External Contributions</b>		<b>1,160</b>	<b>855</b>	<b>305</b>	<b>242</b>
<b>TOTAL EXTERNALLY FUNDED</b>		<b>1,538</b>	<b>1,237</b>	<b>301</b>	<b>242</b>
<b>Earmarked Reserves</b>					
Car Park Property	ER	220	122	98	-
IT Equipment	ER	-	-	-	-
Bapsy Bequest Interest	ER	614	624	(10)	-
Property Fund	ER	203	51	152	152
LABGI	LABGI	484	278	206	206
<b>Total Earmarked Reserves</b>		<b>1,521</b>	<b>1,075</b>	<b>446</b>	<b>357</b>
<b>Capital Receipts Excluding Housing</b>	CR	<b>1,410</b>	<b>974</b>	<b>436</b>	<b>330</b>
<b>Total Capital Receipts</b>		<b>1,410</b>	<b>974</b>	<b>436</b>	<b>330</b>
<b>Capital Financing Requirement</b>		<b>1,905</b>	<b>1,591</b>	<b>314</b>	<b>305</b>
<b>Major Investment Reserve</b>	MIR	<b>1,095</b>	<b>763</b>	<b>332</b>	<b>364</b>
<b>Total General Fund excluding Housing</b>		<b>7,469</b>	<b>5,639</b>	<b>1,829</b>	<b>1,598</b>
<b>Housing</b>					
<b>Government Grants</b>					
Major Repairs Allowance	MRA	3,434	3,521	(87)	-
Capital Receipts	CR - H	200	67	133	127
Housing Revenue Account	HRA	800	648	152	64
Disposal of dwellings	CR - H	1,146	-	1,146	-
<b>Total Housing Revenue Account</b>		<b>5,580</b>	<b>4,236</b>	<b>1,344</b>	<b>191</b>
<b>Total Financing of Capital Programme</b>		<b>13,048</b>	<b>9,875</b>	<b>3,173</b>	<b>1,789</b>

<b><u>USABLE CAPITAL RECEIPTS RESERVE</u></b>			
<b>Non Housing</b>	<b>Revised Estimate 2010/11 £000</b>	<b>Actual 2010/11 £000</b>	<b>Variance 2010/11 £000</b>
<b><u>USABLE CAPITAL RECEIPTS RESERVE (Non-Housing)</u></b>			
Opening Balance b/fwd	(2,749)	(2,649)	(100)
Asset Sales (Other)	(200)	(71)	(129)
Financing of Capital Programme	1,410	1,067	343
<b>Closing Balance c/fwd</b>	<b>(1,539)</b>	<b>(1,653)</b>	<b>114</b>
<b>Housing</b>	<b>Revised Estimate 2010/11 £000</b>	<b>Actual 2010/11 £000</b>	<b>Variance 2010/11 £000</b>
<b><u>USABLE CAPITAL RECEIPTS RESERVE (Housing)</u></b>			
Opening Balance b/fwd	(1,997)	(1,997)	0
Asset Sales (RTB)	(1,000)	(506)	(494)
Pooling	750	371	379
Asset Sales (Other HRA)	(1,164)	(768)	(396)
Financing of Capital Programme	1,615	67	1,548
<b>Closing Balance c/fwd</b>	<b>(1,796)</b>	<b>(2,833)</b>	<b>1,037</b>
<b>Total Closing Balance c/fwd</b>	<b>(3,335)</b>	<b>(4,486)</b>	<b>1,151</b>
Capital Financing Requirement (CFR) - in year	1,905	1,591	314
Capital Financing Requirement (CFR) - Cumulative	4,469	4,155	314