

CABINET

26 JUNE 2013

THE OVERVIEW & SCRUTINY COMMITTEE

1 JULY 2013

CAPITAL EXPENDITURE OUTTURN 2012/13

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

CAB2453: Capital Programme 2012/13 to 2015/16, 13 February 2013

CAB2378: Capital Strategy & Programme 2012/13 – 2015/16, 12 September 2012

CAB2297: Budget & Council Tax 2012/13, 8 February 2012

CAB2284: Treasury Management Strategy 2012/13 and 2011/12 Revision, 8 February 2012

EXECUTIVE SUMMARY:

Total capital expenditure for the year 2012/13 was £11.579m, which was £2.707m lower than the Working Budget of £14.286m. Of the £2.707m underspend, £1.630m is being requested for budget carry forward to 2013/14, and a net £1.077m is being released.

The financing of capital expenditure is shown at Appendix B; unfinanced General Fund capital expenditure in the year amounted to £1.702m compared with a budget of £2.784m, due to slippage in particular projects.

The closing balance on the Usable Capital Receipts Reserve was £2.438m at 31st March 2013 which is £0.142m higher than budgeted; comprising £0.332m higher General Fund receipts (to fund budget carry forward requests) and £0.190m lower Housing – Right to Buy receipts. The effect on other Usable Reserves is explained in the General Fund Revenue Outturn Report elsewhere on this agenda.

RECOMMENDATIONS:

That the Cabinet:

1. notes the capital expenditure and financing for 2012/13 and the implications on the future capital programme, and
2. That it be recommended to Council:

THAT THE CARRY FORWARD OF CAPITAL BUDGET TOTALLING £1.630M FROM 2012/13 (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.

CABINET26 JUNE 2013THE OVERVIEW & SCRUTINY COMMITTEE1 JULY 2013CAPITAL EXPENDITURE OUTTURN 2012/13REPORT OF CHIEF FINANCE OFFICER1 Introduction

- 1.1 This report provides an overview of the actual (outturn) capital expenditure for the financial year 2012/13 and the associated financing, compared with the Revised Capital Working Budget.
- 1.2 The Treasury Management Strategy approved by the Council in February (CAB2284) includes Prudential Indicators for 2012/13 reflecting the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Government) and the Treasury Management Prudential Indicators. The Treasury Management Stewardship Report on the outturn Prudential Indicators for 2012/13, including those relating to capital expenditure, will be reported to the Audit Committee in September.
- 1.3 The Original capital expenditure budget for the year was set in February 2012 at £19.983m (CAB2297). The Programme was revised in February 2013 to £14.261m (CAB2453) and a further addition of £25k for a Streetcare jetting machine was made by portfolio holder decision (PHD480), taking the total working budget to £14.286m. The actual capital expenditure in the year amounted to £11.579m.

2 Capital Expenditure

- 2.1 Appendix A provides a list of capital expenditure by project for the year compared with the Working Budget, plus requests for budget to be carried forward. The highest spending items in 2012/13 are listed below:

TABLE 1	2012/13
CAPITAL EXPENDITURE OUTTURN	£'000
Major Repairs (HRA)	6,171
Depot	1,007
Hockley Viaduct	861
Hyde	574
Disabled adaptations (HRA)	553
Improvements and Loft conversions (HRA)	492
Information Technology (IMT)	488
Disabled Facility Grants (DFGs)	379

TABLE 1	2012/13
CAPITAL EXPENDITURE OUTTURN	£'000
New Build (HRA)	341
Car Parks & server	271
Property Acquisition	123
Other projects	319
Total	11,579

- 2.2 The outturn capital expenditure compares to the Working Budget for 2012/13 as follows:

TABLE 2	2012/13
Comparison to Budget	£000
<u>Working Budget</u>	14,286
<i><u>Plus:</u></i>	
Unbudgeted expenditure	290
<i><u>Less:</u></i>	
Unspent Budget requested to be carried forward	-1,630
Underspends not to be carried forward	-1,367
Total Capital expenditure	11,579

Details are provided in Appendix A.

3 Capital financing

- 3.1 The sources of finance available for capital projects are; capital receipts; Major Investment Reserve; grants; earmarked reserves; revenue contributions and Capital Finance Requirement. Under the Prudential Code, the Council can invest in a capital programme so long as its capital spending plans are "affordable, prudent and sustainable".
- 3.2 More detail on the financing of capital expenditure in 2012/13, together with the proposed financing of requests for budget carry forward is provided at Appendix B.
- 3.3 Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR); a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

3.4 As planned in the budget, some of the expenditure in the year was unfunded and increased the Capital Financing Requirement by £1.702m. This was in relation to; the Depot, Hyde capital works, and the purchase of 34a Lower Brook Street. The Council's Capital Financing Requirement position is summarised at Appendix C.

4 Usable Capital Receipts Reserve

4.1 The movement on the Usable Capital Receipts Reserve in 2012/13 compared with the Working Budget assumptions is shown at Appendix C. The closing balance at 31st March 2013 is £2.438m compared with the Working Budget of £2.296m; a favourable variance of £0.142m, comprising £0.332m higher General Fund receipts (to fund budget carry forward requests) and £0.190m lower Housing – Right to Buy receipts.

4.2 The effect on other Useable Reserves is explained in the General Fund Revenue Outturn Report elsewhere on this agenda.

OTHER CONSIDERATIONS:

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

5.1 The preparation of the capital budget for 2012/13 was aligned to the Sustainable Community Strategy and Capital Strategy to support the achievement of the corporate change plans. The main corporate priority is identified for each line of capital expenditure in the programme. Capital Expenditure in 2012/13 was identified against the corporate priorities as follows:

TABLE 3	Working Budget	Actual
Corporate Priority	2012/13	2012/13
	£000	£000
Active Communities	9,040	8,041
High Quality Environment	1,368	1,082
Efficient & Effective	3,878	2,456
Total	14,286	11,579

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 (CAB2493). Lower than budgeted capital expenditure has resulted in higher cash balances, which is beneficial to interest income, albeit at modest interest rates.

6.2 All other resource implications are explained in the report.

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. This is monitored closely during the year.
- 7.2 The levels of other earmarked reserves which are also used to support the capital programme expenditure are considered in the General Fund Revenue outturn report, elsewhere on this agenda (CAB2493).

BACKGROUND DOCUMENTS:

None

APPENDICES:

- Appendix A: Capital Expenditure Outturn 2012/13 compared with Revised Estimate – and Budget Carry Forward Requests
- Appendix B: Financing of Capital Expenditure 2012/13
- Appendix C: Usable Capital Receipts Reserve

CAPITAL EXPENDITURE OUTTURN 2012/13

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	Commitments @ 31 March 2013	Additional Information
		£000	£000	£000	£000	£000	
General Fund							
ACTIVE COMMUNITIES							
Affordable Housing / Regeneration	CR - H	63	0	63			
Affordable Hsg funded by Developers' contributions	EF	29	0	29			Funding has been applied to Revenue costs incurred for loan impairment to Wickham Community land trust.
Capital Grants	MIR	75	0	75	60	60	Chesil Theatre project
CCTV	MIR		3	(3)			Project completion.
Disabled Facility Grants	EF / CR	647	379	268	268	95	Expenditure in 2012/13 funded by Government Grant. Carry Forward represents unspent Grant and WCC Capital Receipts contribution. Additional Government Grant was received in the latter part of 2012/13.
River Park Leisure Centre - Essential Repairs	CR	20	2	18			
		834	384	450	328	155	
HIGH QUALITY ENVIRONMENT							
Car Parks	ER	207	131	76	29	29	Budget carry forward for upgrade of web based software for car parking machines. (Remaining underspend mainly relates to a joint refurbishment scheme for Wickham Square, for which the potential partnership funding was withdrawn)
Footway Lighting at North Walls (Town A/C)	ER (Town)	40	16	24	24	15	Slippage caused by Southern and Scottish Electrical not completing the works within the agreed timescales.
Hockley Viaduct	CR/MIR/EF	960	861	99	99		C/F relates to final works and potential maintenance agreement.
Open Space & Recreation Facilities	EF	60	58	2	2	2	Surfacing work at Imber Road has been ordered but not completed.
River Itchen Maintenance	CR / CR - H	60	0	60	60	60	Slippage in works due to negotiations with Environment Agency over Abbey Mill works.
Streetcare Jetting Machine	RCC	25		25	25		PHD480 - Jetting machine has now been ordered
Winchester High Street / Square	MIR	6	6				Project now complete
Winnall Moors Project	MIR	10	10				Project now complete
		1,368	1,082	286	239	106	
EFFICIENT & EFFECTIVE							
ASSET MANAGEMENT							
Abbey House	ER	10	3	7	7		Works progressing, for completion in 2013/14.
Abbey Mill	ER / CFR	93	10	83	81		Works progressing, for completion in 2013/14.
Asset Management Plans	RCC	64	0	64	64		To support works required in 2013/14
Car Parking Server / Pay on Foot	MIR	139	140	(1)			
Depot	CFR	936	1,007	(71)	(71)	965	No project overspend, budget profiled to 2013/14
Guildhall Community Facilities	CFR		(2)	2			
Guildhall Microphone System	ER	34	34				Project completed.
Guildhall staff office to changing rooms	CR	33	28	5	5		Works progressing, for completion in 2013/14
Hyde	CFR	644	574	70			Project completed.
Old Chesil Rectory	CR	38	2	36	36		Works will be required in 2013/14
Property Acquisition & Development - 34a Lower Brook Street	CFR	1,000	0	1,000			
	CFR	123	123				
West Wing / City Offices Heating Works	ER	50	49	1	1		
TOTAL ASSET MANAGEMENT PLAN		3,164	1,968	1,196	123	965	

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	Commitments @ 31 March 2013	Additional Information
		£000	£000	£000	£000	£000	
IMT ASSET MANAGEMENT							
ICT E-govt	CR	15	0	15	15		Tell it once initiative, E-Form package upgrade and LDF Website enhancement
IT Equipment & Software	CR / ER	217	171	46	46	35	Remainder of Revenues & Benefits support scheme, HPSN2 upgrade
Electronic Document Records System	MIR	98	0	98	98		
IT Hardware	CR / ER	159	108	51	51	51	Citrix refresh and licences £13k. Tier 1 SAN trays for WCC additional storage
IT Infrastructure	MIR / ER/ CR	110	124	(14)			
Telephony	MIR	115	85	30		30	Project completion in 2013/14
TOTAL IMT ASSET MANAGEMENT		714	488	226	240	116	
		3,878	2,456	1,422	363	1,081	
TOTAL GENERAL FUND	0	6,080	3,922	2,158	930	1,342	
HOUSING REVENUE ACCOUNT							
ACTIVE COMMUNITIES							
Major repairs		5,970	6,171	(201)			Matching underspend within revenue repairs
New Build		657	341	316	316		Provision for Stanmore schemes, now scheduled for completion by July 2013 (CAB2426(HSG) refers).
Improvements & Loft Conversions		810	492	318	350		Provision for schemes underway but which will now be completed in 2013/14
Disabled Adaptations		610	553	57			
Orchard Upgrade		40	16	24	24	24	Final module (self service portal allowing tenants to access rent statements on-line) still to be completed
Asset Management Solution		51	42	9	10		System now complete and operational, but remote access hand held terminals still required
Sewage Treatment Works		68	43	25			The under spend has resulted due to changing priorities during the year from 3 emergency schemes which had to be implemented resulting in some delays to other schemes which will now be undertaken in 2013/14. No carry over required.
TOTAL HOUSING REVENUE ACCOUNT		8,206	7,657	549	700	24	
TOTAL CAPITAL PROGRAMME		14,286	11,579	2,707	1,630	1,366	
* 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						
Rechargeable to the Town A/C	MIR (Town)						

CAPITAL PROGRAMME FINANCING 2012/13					
		WORKING BUDGET	ACTUAL	LOWER / (HIGHER) THAN BUDGET	CARRY FORWARD FINANCING
		£000	£000	£000	£000
General Fund					
EXTERNALLY FUNDED					
Government Grants		65	30	35	35
Capital Grant (DFG)	CG	440	379	61	61
Total Government grants		505	409	96	96
External contributions					
Developers' contributions	DC	29	-	29	-
Hockley Viaduct	various	487	488	(1)	-
Open Space Fund	OS	60	58	2	2
Total External Contributions		576	546	30	2
TOTAL EXTERNALLY FUNDED		1,081	955	126	98
Earmarked Reserves					
Car Park Property	ER	207	131	76	29
IT Equipment	ER	60	60		
Property Repairs & Renewals (AMP)	ER	170	96	74	72
Winchester Town	ER	40	16	24	24
Total Earmarked Reserves		477	303	174	125
Capital Receipts Excluding Housing	CR	746	419	327	323
Total Capital Receipts	CR	746	419	327	323
Capital Financing Requirement	CFR	2,784	1,702	1,082	10
Major Investment Reserve	MIR	905	543	362	349
Revenue Contribution to Capital	RCC	25	-	25	25
Total General Fund excluding Housing		6,017	3,922	2,095	930
Housing					
Major Repairs Reserve	ER	6,273	6,291	(18)	355
Revenue Contribution to Capital	RCC	1,461	948	513	345
Capital Receipts	CR - H	63	29	35	
Capital Grants	CG	50	50		
Right to Buy Receipts	RTB	422	339	83	
Total Housing		8,269	7,657	612	700
Total Financing of Capital programme		14,286	11,579	2,707	1,630

USABLE CAPITAL RECEIPTS RESERVE			
	Working Budget	Actual	Variance
	2012/13	2012/13	favourable/ (adverse)
	£000	£000	2012/13
			£000
Non Housing			
USABLE CAPITAL RECEIPTS RESERVE (Non-Housing)			
Opening Balance b/fwd	2,202	2,202	
Asset Sales (RTB)	306	295	(11)
Asset Sales (Other)	40	56	16
Financing of Proposed Capital Programme	(746)	(419)	327
Closing Balance c/fwd	1,802	2,134	332
Housing			
USABLE CAPITAL RECEIPTS RESERVE (Housing)			
Opening Balance b/fwd	0	0	
Asset Sales (RTB) HRA Attributable Debt	888	643	(245)
Asset Sales (Other HRA)	28	28	0
Financing of Proposed Capital Programme	(422)	(367)	55
Closing Balance c/fwd	494	304	(190)
Total Closing Balance c/fwd	2,296	2,438	142

CAPITAL FINANCING REQUIREMENT			
	General Fund	Housing Revenue	Total
	£000	Account	£000
	£000	£000	£000
Capital Financing Requirement (CFR) - b/f	(10,131)	10,131	0
Unfinanced Capital Expenditure b/f	5,376	156,722	162,098
Unfinanced Capital Expenditure - in year	1,702	0	1,702
MRP/VRC/Debt repayments*	0	(3,500)	(3,500)
Capital Financing Requirement (CFR) - closing position	(3,053)	163,353	160,300
Embedded lease (joint Environmental Services Contract) b/f	2,410	0	2,410
Amortisation in year	(321)		(321)
Embedded lease (joint Environmental Services Contract) c/f	2,089	0	2,089
Total	(964)	163,353	162,389

* Minimum Revenue Provision / Voluntary Revenue Contribution/ HRA debt repayment