

CABINET

6 July 2016

THE OVERVIEW & SCRUTINY COMMITTEE

11 July 2016

CAPITAL EXPENDITURE OUTTURN 2015/16

REPORT OF THE HEAD OF FINANCE

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RECENT REFERENCES:

CAB2647 (Revised): Budget & Council Tax 2015/16, 11 February 2015

CAB2710: Capital Strategy, 9 September 2015

CAB2739: General Fund Budget 2016/17 – Capital and Revenue Considerations, 2 December 2015

CAB2763 (Revised): Budget & Council Tax 2016/17, 18 February 2016

EXECUTIVE SUMMARY:

Total capital expenditure for the year 2015/16 was £18.486m; £2.943m less than the Working Budget of £21.429m and £28.711m less than the Original Budget (plus brought forwards) of £47.197m. Of the £2.943m underspend, £2.314m is being requested for budget carry forward to 2016/17.

The financing of capital expenditure is shown at Appendix B. Unfinanced General Fund capital expenditure in the year amounted to £0.017m compared with a budget of £0.385m, mainly caused by slippage of the Enterprise Centre project. Unfinanced Housing Revenue Account capital expenditure was to budget of £0.631m.

The closing balance on the Usable Capital Receipts Reserve was £10.682m at 31 March 2016 which is £0.462m higher than budgeted; this is a consequence of both higher than expected receipts and lower than expected use for financing. The effect on other Usable Reserves is explained in the General Fund Revenue Outturn Report elsewhere on this agenda.

Lower than budgeted capital expenditure results in higher than forecast cash balances. Although timing differences in the delivery of a capital programme should be expected, significant slippage prevents the Council investing longer term at more preferential rates, and defers the forecast benefits of projects such as increased income streams.

RECOMMENDATIONS:

That Cabinet:

1. Notes the capital expenditure and financing for 2015/16 and the implications on the future capital programme, and
2. That it be recommended to Council:

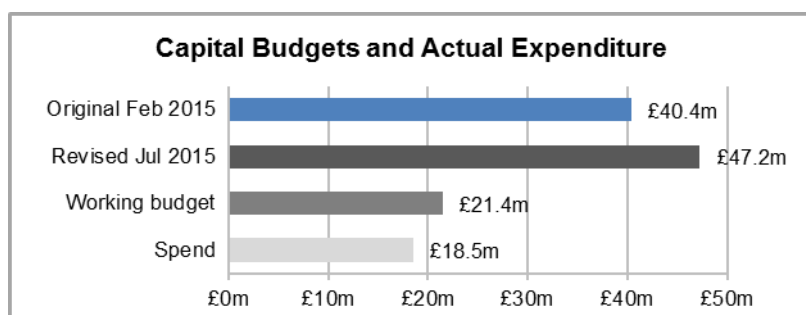
That the carry forward of capital budget totalling £2.314m from 2015/16 (as detailed in Appendix A of the report) be approved, in accordance with Financial Procedure Rule 7.9.

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 2016THE OVERVIEW & SCRUTINY COMMITTEE11 JULY 2016CAPITAL EXPENDITURE OUTTURN 2015/16REPORT OF THE HEAD OF FINANCE1 Introduction

- 1.1 This report provides an overview of the actual (outturn) capital expenditure for the financial year 2015/16 and the associated financing, compared with the Revised Capital Budget.
- 1.2 The Treasury Management Strategy approved by the Council in February (CAB2766) includes Prudential Indicators for 2015/16 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 2015/16, including those relating to capital expenditure, is reported to the Audit Committee.
- 1.3 The original capital expenditure budget for the year was set in February 2015 at £40.360m (CAB2647 (Revised)) and revised up in July 2015 to take account of brought forward budgets from the previous year. The Programme was further revised in February 2016 to £21.352m (CAB2763 (Revised)). The actual capital expenditure in the year amounted to £18.486m.



2 Capital Expenditure

- 2.1 Appendix A provides a list of capital expenditure by project for the year compared with the Revised Budget, plus requests for budget to be carried forward. The highest spending items in 2015/16 are listed below:

TABLE 1	2015/16
CAPITAL EXPENDITURE OUTTURN	£'000
New Build (HRA)	7,352
Major Repairs (HRA)	5,145
Carfax Land Purchase	2,445
Improvements and Loft conversions (HRA)	891
Disabled adaptations (HRA)	754
Disabled Facility Grants	439
Magdalen Cemetery Extension	227
Flood Prevention Works	187
Repair and Renew Grants (Flooding)	172
Information Technology (IMT)	152
Car Parks	141
Other projects	581
Total	18,486

Further details are provided in Appendix A. The impact of the proposed carry forward budgets on the 2016/17 budget can be seen at Appendix D.

3 Capital financing

- 3.1 The sources of finance available for capital projects are: capital receipts; grants; Major Investment Reserve; other earmarked reserves; revenue contributions; and Capital Financing Requirement (unfinanced capital expenditure met by future revenue provision). 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 2015/16, 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, 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 General Fund unfinanced capital expenditure in 2015/16 amounted to £0.017m which was lower than the Budget because of slippage in the Enterprise Centre project.

- 3.5 Housing Revenue Account (HRA) unfinanced expenditure was as budgeted at £0.631m. The HRA outturn position is being reported on separately, in more detail, to the Cabinet (Housing) Committee on 29 June.
- 3.6 The Council's Capital Financing Requirement position is summarised below.

TABLE 2	General Fund £000	Housing Revenue Account £000	Total £000
Capital Financing Requirement			
Capital Financing Requirement at 31 March	6,014	156,722	162,736
Unfinanced Capital Expenditure - in year	17	631	648
Statutory Provision for the Financing of Capital Investment	(589)	0	(589)
Capital Financing Requirement at 1 April	5,442	157,353	162,795

4 Usable Capital Receipts Reserve

- 4.1 The movement on the Usable Capital Receipts Reserve in 2015/16 compared with the Working Budget assumptions is shown at Appendix C. The closing balance at 31 March 2016 is £10.682m compared with the Working Budget of £10.220m; a favourable variance of £0.462m; £0.570m General Fund and an adverse variance of (£0.108m) Housing.
- 4.2 The effect on other Usable Reserves is explained in the General Fund Revenue Outturn Report elsewhere on this agenda.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 The preparation of the capital budget for 2015/16 was aligned to the Sustainable Community Strategy and Capital Strategy to support the achievement of the corporate priorities. The main corporate priority is identified for each line of capital expenditure in the programme. Capital Expenditure in 2015/16 was identified against the corporate priorities as follows:

TABLE 3	Revised Budget 2015/16 £000	Actual 2015/16 £000
Corporate Priority		
Active Communities	16,503	14,646
Prosperous Economy	359	140
High Quality Environment	1,228	1,022
Efficient & Effective	3,339	2,678
Total	21,429	18,486

Note: Although projects are assigned to one Corporate Priority, many of them in fact contribute to more than one.

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 (CAB2812).
- 6.2 Lower than budgeted capital expenditure has resulted in higher cash balances, which is beneficial to interest income, albeit at modest interest rates. Although timing differences in the delivery of a capital programme should be expected, significant slippage prevents the Council investing longer term at higher rates, and defers the forecast benefits of projects such as increased income streams in future years.
- 6.3 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 ensuring that the capital programme is delivered on time and to budget. Significant delays impact on the Council's ability to maximise its return on investments, expose it to greater bail-in risk due to high short-term cash balances, and defer the forecast benefits of projects within the capital programme.
- 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 (CAB2812).

BACKGROUND DOCUMENTS:

None

APPENDICES:

- Appendix A: Capital Expenditure Outturn 2015/16 compared with Revised Estimate – and Budget Carry Forward Requests
- Appendix B: Financing of Capital Expenditure 2015/16
- Appendix C: Usable Capital Receipts Reserve
- Appendix D: Capital Programme 2016/17 to 2020/21

Capital Expenditure Outturn 2015/16

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	Additional Information
		£000	£000	£000	£000	
General Fund						
<u>Active Communities</u>						
Chesil Theatre Capital Grant	MIR/ER	60	-	60	60	Chesil Theatre still awaiting action from landowners before they can progress their own scheme - officers in active dialogue with both parties
Community Project Capital Grants	EF	-	14	(14)	-	Revenue expenditure identified as capital
Disabled Facility Grants (Mandatory)	CR/EF	705	439	266	-	Commitments represent grants awarded in 2015/16 to be paid in 2016/17
Winchester Churches Keystone Grant	EF	90	-	90	90	Awaiting confirmation that associated works completed
		855	453	402	150	
<u>Prosperous Economy</u>						
Enterprise Centre managed workspace	CFR/MIR	225	6	219	219	Delayed due to ongoing discussions
Hampshire Community Bank	CR	63	63	-	-	
Broadband for Hampshire	MIR	46	46	-	-	
Winchester Cathedral Roof	MIR	25	25	-	-	
		359	140	219	219	
<u>High Quality Environment</u>						
Car Parks	ER	156	141	15	15	Required for machine replacement. Work unable to complete in 15/16 due to pressure on officer time
Chesil Multi Storey Car Park	ER	150	0	150	150	Works currently being procured; delay due to technical research for product selection
Flood Prevention Works	CR/EF	225	187	38	38	Extra parts required for the council's mobile flood barrier and further works to be carried out in 2016/17
Magdalen Hill Cemetery -Extension	MIR	240	227	13	13	Required landscaping works to be undertaken to meet planning obligations
Wickham Toilet Works	ER	32	28	4	-	Project complete
Open Spaces & Recreation Facilities	EF	120	106	14	-	
Open Spaces REFCUS	EF/ER	-	110	(110)	-	Contributions to Parishes transferred from revenue
Repair and Renew Grants	EF	172	172	-	-	
River Itchen Maintenance	CR	133	51	82	82	Further works required to River Itchen in 2016/17
		1,228	1,022	206	298	
<u>Efficient and Effective</u>						
<u>Asset Management</u>						
Abbey Gardens - Environmental Improvements	CR	25	-	25	25	Delayed due to technical research
Abbey House	ER	59	-	59	59	Delayed due to potential bats
Abbey Mill	CFR	26	25	1	-	Project complete
Abbey Mill - Hydro	ER	10	-	10	10	Delayed due to technical research
Asset Management Plans	ER	23	-	23	23	Delayed due to limited resources available
Avalon House	CFR	19	17	2	-	Project complete
2 - 3 Bridge Street	ER	100	-	100	100	Further investigations required
Carfax Land Purchase	MIR	2,445	2,445	-	-	Project complete
Depot	CFR	61	-	61	61	Delay to new power supply
Guildhall Heating System	ER	27	11	16	16	Delayed due to sourcing appropriate contractors, works now tendered
Matley's Yard	CR	90	-	90	90	Delayed due to further investigations
Meadowside Car Park Lighting	ER	24	24	-	-	Project complete
New Streetcare/Pest Control Depot	CR	30	-	30	30	Delayed due to further investigations
Old Chesil Rectory	CR	34	4	30	30	Delayed due to liaising with tenant and listed building officer; outline scheme now prepared
Redevelopment of old Bar End Depot Site	CFR	100	-	100	100	Delay due to ongoing discussions
St Clement's Surgery	CFR	30	-	30	30	
Total Asset Management		3,103	2,526	577	574	

Capital Expenditure Outturn 2015/16

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	Additional Information
		£000	£000	£000	£000	
IMT Asset Management						
Equipment	ER	80	23	57	57	By extending the life of the existing server assets, it has been possible to delay replacement to 2016/17 and take advantage of technical improvements to the 2016 server models
Hardware	CR/MIR	47	48	(1)	-	
Software	MIR	52	49	3	-	
Electronic Document Retrieval Management System (EDRMS)	MIR	12	4	8	8	Ongoing support to the SharePoint roll out (business led project)
Guildhall Wireless	ER	15	9	6	6	Phase 1 work has been completed successfully. Phase 2 work to deliver enhanced performance has been postponed to Summer 2016
New Wireless Network - West Wing	ER	30	19	11	11	Phase 1 work has been completed successfully. Phase 2 work to deliver enhanced performance has been postponed to Summer 2016
Total IMT Asset Management		236	152	84	82	
TOTAL GENERAL FUND		5,781	4,293	1,488	1,323	

Housing Revenue Account						
Active Communities						
Major repairs		5,805	5,145	660	314	To enhance the M&E budget and assist with catch-up installations
New Build		7,838	7,352	486	471	To cover committed costs at Westman Road and Mayles Lane projects and maintain approved budgets for schemes in development
Improvements & Loft Conversions		1,124	891	233	206	To cover costs for projects already in progress but not completed at 31 March 2016
Disabled Adaptations		731	754	(23)	-	
River Itchen Works		36	-	36	-	
Sewage Treatment Works		114	51	63	-	
TOTAL HOUSING REVENUE ACCOUNT		15,648	14,193	1,455	991	

TOTAL CAPITAL PROGRAMME		21,429	18,486	2,943	2,314	
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* Key - Funding						
Capital Financing Requirement	CFR	External Funding			EF	
Capital Receipts	CR	Major Investment Reserve			MIR	
Earmarked Reserves	ER	Revenue Contribution to Capital			RCC	

Financing of Capital Expenditure 2015/16

	Working Budget	Actual	Lower / (Higher) than Budget	Carry forward financing	Notes
	£000	£000	£000	£000	
General Fund					
EXTERNALLY FINANCED					
<i>Government Grants</i>					
Disabled Facilities Grant	445	439	6	-	
Repair and Renew Grant (Flooding)	172	172	0	-	
Local Levy Funding	50	50	-	-	
Flood Defence Grant	25	25	-	-	
<i>External contributions</i>					
Developers' contributions	210	213	(3)	90	1
Total EXTERNALLY FINANCED	902	899	3	90	
INTERNALLY FINANCED					
<i>Earmarked Reserves</i>					
Car Parks Property	306	141	165	165	
Information, Management, and Technology	125	52	73	74	
Major Investment Reserve	3,028	2,926	102	95	
Planning Deposits (Interest)	-	3	(3)	-	-
Property - Asset Management Reserve	281	68	213	208	
Winchester Town	30	-	30	30	
<i>Capital Receipts</i>	724	187	537	295	
<i>Revenue Contribution to Capital</i>	-	-	-	-	
Total INTERNALLY FINANCED	4,494	3,377	1,117	867	
Capital Financing Requirement	385	17	368	366	
Total General Fund	5,781	4,293	1,488	1,323	
Housing					
Capital Grants and Contributions	2,462	1,899	563	-	
Harris Bequest	605	605	-	-	
Major Repairs Reserve	5,550	5,938	(388)	-	
Capital Receipts	1,052	1,339	(287)	56	
Revenue Contribution to Capital	5,348	3,781	1,567	935	
Capital Financing Requirement	631	631	0	0	
Total Housing	15,648	14,193	1,455	991	2
Total Financing of Capital programme	21,429	18,486	2,943	2,314	

Notes

1. Additional Open Spaces expenditure originally included in revenue budgets.
2. Please refer to CAB2808(HSG).

Usable Capital Receipts Reserve

	Working Budget	Actual	Variance favourable/ (adverse)
	£000	£000	£000
General Fund			
Balance as at 1 April 2015	2,766	2,766	
Asset Sales (Right to Buy)	20	20	-
Asset Sales (Other)	4,594	4,627	33
Financing of Capital Programme	(724)	(187)	537
Balance as at 31 March 2016	6,656	7,226	570
Housing			
Balance as at 1 April 2015	1,503	1,503	
Asset Sales (Right to Buy)	2,442	2,527	85
Asset Sales (Other)	671	765	94
Financing of Capital Programme	(1,052)	(1,339)	(287)
Balance as at 31 March 2016	3,564	3,456	(108)
Total Balance as at 31 March 2016	10,220	10,682	462

Capital Programme 2016/17 to 2020/21

	2016/17			2017/18	2018/19	2019/20	2020/21	TOTAL
	Original Estimate	C/F from 2015/16	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund								
<u>Spending and Committed</u>								
Chesil Theatre Capital Grant	-	60	60	-	-	-	-	60
Car Parks	305	15	320	122	180	180	180	982
Depot	-	61	61	-	-	-	-	61
Disabled Facility Grants	500	-	500	500	500	500	500	2,500
Enterprise Centre managed workspace	1,275	219	1,494	-	-	-	-	1,494
Flood Prevention Works	250	38	288	-	-	-	-	288
Guildhall Heating System	-	16	16	-	-	-	-	16
Hampshire Community Bank	125	-	125	62	-	-	-	187
IMT Property Plant and Equipment	160	74	234	193	122	130	116	795
IMT Intangible Assets	-	8	8	-	30	-	-	38
Magdalen Hill Cemetery - Extension	-	13	13	-	-	-	-	13
Old Chesil Rectory	-	30	30	-	-	-	-	30
River Itchen Maintenance	-	82	82	-	-	-	-	82
St Clement's Surgery	3,645	30	3,675	601	-	-	-	4,276
Winchester Cathedral Roof	25	-	25	-	-	-	-	25
Winchester Churches Keystone Grant	-	90	90	-	-	-	-	90
Total Spending and Committed	6,285	736	7,021	1,478	832	810	796	10,937
<u>Approved* - Not Committed</u>								
Abbey Gardens - environmental improvements	-	25	25	-	-	-	-	25
Matley's Yard	490	90	580	-	-	-	-	580
New Streetcare/Pest Control Depot	180	30	210	-	-	-	-	210
Surface Car Park at Friarsgate	800	-	800	-	-	-	-	800
Total Approved* - Not Committed	1,470	145	1,615	-	-	-	-	1,615

Capital Programme 2016/17 to 2020/21

	2016/17			2017/18	2018/19	2019/20	2020/21	TOTAL
	Original Estimate	C/F from 2015/16	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Programmed But Not Yet Approved*</u>								
2-3 Bridge St	-	100	100	-	-	-	-	100
153 High Street	-	-	-	400	-	-	-	400
Abbey House	40	59	99	51	50	50	-	250
Abbey Mill - hydro	139	10	149	-	-	-	-	149
Asset Management Plan	300	23	323	149	150	150	200	972
Casson Block	150	-	150	-	-	-	-	150
Changing Pavilions (Town A/C)	700	-	700	-	-	-	-	700
Chesil Multi Storey car park	250	150	400	200	200	200	-	1,000
City Offices & Annexe Works	350	-	350	290	-	-	-	640
Cycle Café - Capital Grant	50	-	50	-	-	-	-	50
Market Lane Toilet Works	44	-	44	-	-	-	-	44
Property Acquisition & Development	4,000	-	4,000	-	-	-	-	4,000
Purchase of Garrison Ground	300	-	300	-	-	-	-	300
Redevelopment of Old Bar End Depot Site	2,400	100	2,500	2,500	-	-	-	5,000
River Park Leisure Centre - Refurbishment	1,510	-	1,510	4,500	-	-	-	6,010
South Winchester Coach Park	200	-	200	-	-	-	-	200
Station Approach - Carfax	1,000	-	1,000	14,000	14,000	-	-	29,000
Station Approach - Cattlemarket	-	-	-	-	1,000	4,500	4,500	10,000
Station Approach - Public Realm Works	-	-	-	2,500	2,500	-	-	5,000
Total Programmed But Not Yet Approved*	11,433	442	11,875	24,590	17,900	4,900	4,700	63,965
Total General Fund	19,188	1,323	20,511	26,068	18,732	5,710	5,496	76,517

Capital Programme 2016/17 to 2020/21

	2016/17			2017/18	2018/19	2019/20	2020/21	TOTAL
	Original Estimate	C/F from 2015/16	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account								
Major repairs	7,599	314	7,913	6,522	6,699	6,882	7,053	35,069
New Build	22,064	471	22,535	8,972	5,760	5,970	6,149	49,386
Improvements and Loft Conversions	780	206	986	350	350	350	350	2,386
Disabled Adaptations	770	-	770	792	814	840	860	4,076
Other Capital Spend	108	-	108	111	114	117	120	570
Total Housing Revenue Account	31,321	991	32,312	16,747	13,737	14,159	14,532	91,487
Grand Total	50,509	2,314	52,823	42,815	32,469	19,869	20,028	168,004

* Under the Council's Financial Procedure Rule 6.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.