

CABINET

6 July 2015

THE OVERVIEW & SCRUTINY COMMITTEE

7 July 2015

CAPITAL EXPENDITURE OUTTURN 2014/15

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

CAB2555: Budget & Council Tax 2014/15, 12 February 2014

CAB2610: Capital Strategy, 10 September 2014

CAB2629: General Fund Budget 2015/16 – Capital & Revenue Considerations, 3 December 2014

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

EXECUTIVE SUMMARY:

Total capital expenditure for the year 2014/15 was £11.837m; £6.781m less than the Working Budget of £18.618m. Of the £6.781m underspend, £6.717m is being requested for budget carry forward to 2015/16.

The financing of capital expenditure is shown at Appendix B; unfinanced General Fund capital expenditure in the year amounted to £1.214m compared with a budget of £5.574m, mainly caused by slippage of the property acquisition budget and an underspend (£0.280m) on the Avalon House project.

The closing balance on the Usable Capital Receipts Reserve was £4.269m at 31 March 2015 which is £1.207m 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.

RECOMMENDATIONS:**That Cabinet:**

1. Notes the capital expenditure and financing for 2014/15 and the implications on the future capital programme, and
2. That it be recommended to Council:

THAT THE CARRY FORWARD OF CAPITAL BUDGET TOTALLING £6.717M FROM 2014/15 (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 2015THE OVERVIEW & SCRUTINY COMMITTEE7 July 2015CAPITAL EXPENDITURE OUTTURN 2014/15REPORT OF CHIEF FINANCE OFFICER1 Introduction

- 1.1 This report provides an overview of the actual (outturn) capital expenditure for the financial year 2014/15 and the associated financing, compared with the Revised Capital Budget.
- 1.2 The Treasury Management Strategy approved by the Council in February (CAB2554) includes Prudential Indicators for 2014/15 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 2014/15, including those relating to capital expenditure, are reported to the Audit Committee.
- 1.3 The Original capital expenditure budget for the year was set in February 2014 at £45.654m (CAB2555). The Programme was revised in February 2015 to £18.618m (CAB2647 (Revised)). The actual capital expenditure in the year amounted to £11.837m.

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 2014/15 are listed below:

TABLE 1	2014/15
CAPITAL EXPENDITURE OUTTURN	£'000
Major Repairs (HRA)	6,212
New Build (HRA)	1,416
Avalon House	939
Improvements and Loft conversions (HRA)	675
Disabled adaptations (HRA)	545
Disabled Facility Grants (DFG)	496
Abbey Mill	284
North Walls Skate Park	267
Information Technology (IMT)	250
Open Space & Recreation facilities	223

TABLE 1	2014/15
CAPITAL EXPENDITURE OUTTURN	£'000
Repair and Renew Grants (Flooding)	170
Other projects	360
Total	11,837

Further details are provided in Appendix A. The impact of the proposed carry forward budgets on the 2015/16 budget can be seen at Appendix D.

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 2014/15, 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 2014/15 amounted to £1.214m which was lower than the Budget because of slippage in the Property Acquisition budget and an underspend on the Avalon House project. This will have the impact of reducing the Minimum Revenue Charges (MRP) in 2015/16 by circa £86k.
- 3.5 The position for the Housing Revenue Account was different and £3.6321m of internal debt was repaid in 2014/15, having the effect of reducing the Capital Financing Requirement for the HRA. The HRA outturn position is being reported on separately, in more detail, to the Cabinet (Housing) Committee on 30 June.
- 3.6 The Council's Capital Financing Requirement position is summarised below.

TABLE 2	General Fund	Housing Revenue Account	Total
Capital Financing Requirement	£000	£000	£000
Capital Financing Requirement at 31 March	5,331	160,353	165,684
Unfinanced Capital Expenditure - in year	1,214	0	1,214
Statutory Provision for the Financing of Capital Investment	(531)	0	(531)
Voluntary Provision for the Financing of Capital Investment	0	(3,631)	(3,631)
Capital Financing Requirement at 1 April	6,014	156,722	162,736

4 Usable Capital Receipts Reserve

- 4.1 The movement on the Usable Capital Receipts Reserve in 2014/15 compared with the Working Budget assumptions is shown at Appendix C. The closing balance at 31 March 2015 is £4.269m compared with the Working Budget of £3.062m; a favourable variance of £1.207m; £0.809m General Fund and £0.398m Housing.
- 4.2 The effect on other Useable 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 2014/15 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 2014/15 was identified against the corporate priorities as follows:

TABLE 3	Revised Budget 2014/15 £000	Actual 2014/15 £000
Corporate Priority		
Active Communities	10,672	9,414
Prosperous Economy	346	96
High Quality Environment	715	744
Efficient & Effective	6,885	1,583
Total	18,618	11,837

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 (CAB2698). 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 (CAB2698).

BACKGROUND DOCUMENTS:

None

APPENDICES:

- Appendix A: Capital Expenditure Outturn 2014/15 compared with Revised Estimate – and Budget Carry Forward Requests
- Appendix B: Financing of Capital Expenditure 2014/15
- Appendix C: Usable Capital Receipts Reserve
- Appendix D: Capital Programme 2015/16 to 2019/20

CAPITAL EXPENDITURE OUTTURN 2014/15

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	Additional Information
		£000	£000	£000	£000	
General Fund						
ACTIVE COMMUNITIES						
Disabled Facility Grants (Mandatory)	CR/EF	706	496	210	205	Carry forward and commitments are grants awarded in 2014/15 and to be paid in 2015/16. Expenditure in revenue.
Portable Event Space	MIR	20	0	20	0	
		726	496	230	205	
Prosperous Economy						
Hampshire Community Bank	CR	250	0	250	250	Subject to due diligence, expenditure now expected in 2015/16.
High Speed Broadband for Hampshire	MIR	46	46	0	0	
Winchester Cathedral Roof	MIR	50	50	0	0	
		346	96	250	250	
HIGH QUALITY ENVIRONMENT						
Car Parks	ER	201	77	124	124	Carry forward of £110k in respect of Wickham Car Park expected to be complete by September 2015, and £14k in respect of outstanding works on LED lighting at Chesil Multi Storey car park.
Hockley Viaduct	MIR	7	7	0	0	
Wickham Toilet Works	ER	50	0	50	50	Project delayed to 2015/16 due to staffing changes in Estates.
Open Spaces & Recreation Facilities	EF	0	25	(25)	0	Revenue budget identified as capital expenditure - works on two play areas in Winchester.
Open Spaces REFCUS	EF/ER	0	198	(198)	0	Revenue budget identified as capital expenditure - grants to parishes for works on play areas.
North Walls Skate Park	EF	324	267	57	0	Project complete.
Repair and Renew Grants	EF	0	170	(170)	0	Revenue budget identified as capital expenditure - grants to those affected by flooding.
River Itchen Maintenance	CR	133	0	133	133	To be carried forward for flood remediation works in 2015/16. Commitment for works to the North Walls river corridor.
		715	744	(29)	307	
EFFICIENT & EFFECTIVE ASSET MANAGEMENT						
Abbey Gardens - Environmental Improvements	CR/ER	150	0	150	78	£78k carry forward required for repair of water course wall and abutments of the foot bridge, and works to the sluice within Abbey Park Garden.
Abbey House	ER	59	0	59	59	
Abbey Mill	CFR	290	284	6	6	Carry forward required to cover claim for extension of contract due to additional flood related works.
Abbey Mill - Hydro	ER	1	1	0	0	
Asset Management Plans	ER	22	0	22	22	Required for works to Guildhall Heating in 2015/16.
Avalon House	CFR	1,238	939	299	19	Carry forward required for final works to roof and externals.
Carfax	MIR	136	1	135	135	Purchase now expected to complete in 2015/16
City Museum Replacement Lift	ER	20	20	0	0	Project complete.
City Offices & Annexe Works	CR/ER	402	0	402	402	Contingency for major failure due to condition of City Offices.
Depot	CFR	70	9	61	61	Delay over agreement of easement to replace SSE network cable over 3rd party land.
Guildhall Toilets	CR	71	71	0	0	Project complete.
Hyde	CFR	0	6	(6)	0	Additional retention payment previously unaccounted for.
Meadowside Car Park Lighting	ER	22	0	22	22	Order issued to SSE awaiting start date.
Old Chesil Rectory	CR	6	2	4	4	Required for works in 2015/16.
Property Acquisition & Development	CFR	4,000	0	4,000	4,000	
TOTAL ASSET MANAGEMENT PLAN		6,487	1,333	5,154	4,808	

CAPITAL EXPENDITURE OUTTURN 2014/15

	Funding *	Working Budget	Actual Expenditure	Lower / (Higher) than Budget	Carry Forward Requested	<u>Additional Information</u>
		£000	£000	£000	£000	
IMT ASSET MANAGEMENT						
Equipment	CR/EF	72	35	37	37	Continuing requirement for corporate server refresh to maximise capacity of servers to enable future partnership sharing.
Hardware	CR/MIR	47	0	47	47	Required for funding maintenance & enhancements of corporate network. Warranty life extended allowing for delay to 2015/16.
Software	CR	111	51	60	52	Residual spend for replacement programme for Windows Server and Netscaler (Citrix). Commitment of £36k for Site Recovery Manager & CAG replacement.
Electronic Document Retrieval Management System (EDRMS)	CR/MIR	59	47	12	12	Project expected to complete in 2015/16.
Infrastructure	ER	109	117	(8)	0	To achieve enhanced resilience, capacity and longevity of the new storage solution.
TOTAL IMT ASSET MANAGEMENT		398	250	148	148	
TOTAL GENERAL FUND		8,672	2,919	5,753	5,718	
HOUSING REVENUE ACCOUNT						
ACTIVE COMMUNITIES						
Major repairs	MRR / RCC / EF	6,224	6,212	12	180	Carry forward request is to enable enhanced kitchen/bathroom replacement programme in 2015/16. Commitments include large sums for kitchen/bathroom contracts and external works.
New Build	CR - H / EF / RCC	1,953	1,416	537	537	New Queens Head and Victoria House are the main requests for carry forwards due to late starts on site and delays in tendering. Commitment is for remaining contract costs at these projects.
Improvements & Loft Conversions	RCC	891	675	216	216	Year 1 of the loft conversions/extensions programme is nearing completion and sheltered upgrades are near to producing new dwellings at Eastacre and Lisle Court. The balance of the carry forward request is to assist funding of the Woolford Close project in 2015/16.
Disabled Adaptations	MRR	715	545	170	0	Commitment relates to works approved by 31/3/2015 where contractor has already been appointed.
Orchard Upgrade	RCC	10	5	5	0	
River Itchen Works	RCC	36	0	36	36	To be carried forward for flood remediation works in 2015/16.
Sewage Treatment Works	RCC	117	65	52	30	The carry forward and commitment both relates to a treatment plant replacement project at Littleton to be completed in 2015/16.
TOTAL HOUSING REVENUE ACCOUNT		9,946	8,918	1,028	999	
TOTAL CAPITAL PROGRAMME		18,618	11,837	6,781	6,717	
* Key - Funding						
Capital Financing Requirement	CFR	External Funding			EF	
Capital Receipts	CR	Major Investment Reserve			MIR	
Capital Receipts - Housing	CR - H	Revenue Contribution to Capital			RCC	
Earmarked Reserves	ER	Major Repairs Reserve			MRR	

CAPITAL PROGRAMME FINANCING 2014/15					
	Working Budget	Actual	Lower / (Higher) than Budget	Carry forward financing	Notes
	£000	£000	£000	£000	
General Fund					
EXTERNALLY FINANCED					
Government Grants					
Disabled Facilities Grant	390	390	0	0	
Repair and Renewal Grant (Flooding)	0	170	(170)	0	1
Total Government grants	390	560	(170)	0	
External contributions					
Developers' contributions	164	334	(170)	0	2
North Walls Skate Park - Veolia	100	100	0	0	
North Walls Skate Park - Sport England	60	15	45	0	3
Total External Contributions	324	449	(125)	0	
TOTAL EXTERNALLY FINANCED					
	714	1,009	(295)	0	
INTERNALLY FINANCED					
Earmarked Reserves					
Car Park Property	201	77	124	124	
IT Equipment	153	123	30	37	
Major Investment Reserve	386	136	250	227	
Planning Deposits (interest)	0	40	(40)	0	
Property Reserve	541	21	520	496	
Total Earmarked Reserves	1,281	397	884	884	
Capital Receipts	1,079	273	806	754	
Revenue Contribution to Capital	24	25	(1)	0	
TOTAL INTERNALLY FINANCED					
	2,384	695	1,689	1,638	
Capital Financing Requirement	5,574	1,215	4,359	4,080	4
Total General Fund					
	8,672	2,919	5,753	5,718	
Housing					
Major Repairs Reserve	5,933	5,896	37	0	
Revenue Contribution to Capital	3,036	1,904	1,132	999	
Capital Grants	74	74	0	0	
Developers' Contributions	100	332	(232)	0	
Right to Buy Receipts	803	712	91	0	
Total Housing	9,946	8,918	1,028	999	5
Total Financing of Capital programme					
	18,618	11,837	6,781	6,717	

Notes

- 1 Originally included in revenue budgets.
- 2 Additional Open Spaces expenditure originally included in revenue budgets.
- 3 The grant from Sport England was not received in full as the Multi Use Games Area was not completed at North Walls.
- 4 The Capital Financing Requirement will not be brought forward in full due to savings on the Avalon House Project.
- 5 Please refer to CAB2696 (HSG).

USABLE CAPITAL RECEIPTS RESERVE			
	Working Budget 2014/15 £000	Actual 2014/15 £000	Variance favourable/ (adverse) 2014/15 £000
General Fund			
Balance as at 1 April	2,170	2,170	
Asset Sales (Right to Buy)	401	401	0
Asset Sales (Other)	465	468	3
Financing of Capital Programme	(1,079)	(273)	806
Balance at 31 March	1,957	2,766	809
Housing			
Balance as at 1 April	511	511	
Asset Sales (Right to Buy)	1,397	1,679	282
Asset Sales (Other)	0	25	25
Financing of Capital Programme	(803)	(712)	91
Balance at 31 March	1,105	1,503	398
Total Balance at 31 March	3,062	4,269	1,207

CAPITAL PROGRAMME 2015/16 to 2019/20

	2015/16				2016/17	2017/18	2018/19	2019/20	TOTAL
	Original Budget	b/fwd from 2014/15	Other adjustments	Revised Total	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
GENERAL FUND									
ACTIVE COMMUNITIES									
Capital Grants - Chesil theatre	60	-	-	60	-	-	-	-	60
Changing Pavilions (Town A/C)	457	-	-	457	-	-	-	-	457
Disabled Facility Grants	500	205	-	705	500	500	500	500	2,705
River Park Leisure Centre - Essential Repairs	4,190	-	-	4,190	-	-	-	-	4,190
Total Active Communities	5,207	205	-	5,412	500	500	500	500	7,412
PROSPEROUS ECONOMY									
Enterprise Centre managed workspace	1,000	-	-	1,000	-	-	-	-	1,000
Hampshire Community Bank	-	250	-	250	-	-	-	-	250
Broadband for Hampshire	46	-	-	46	-	-	-	-	46
Winchester Cathedral Roof	25	-	-	25	25	-	-	-	50
Total Prosperous Economy	1,071	250	-	1,321	25	-	-	-	1,346
HIGH QUALITY ENVIRONMENT									
Car Parks	197	124	-	321	140	180	180	180	1,001
Chesil Multi Storey car park	200	-	-	200	200	200	200	200	1,000
Magdalen Hill Cemetery - Extension	135	-	-	135	-	-	-	-	135
Market Lane Toilet Works	44	-	-	44	-	-	-	-	44
Open Spaces and Recreation Facilities	-	-	120	120	-	-	-	-	120
River Itchen Maintenance	-	133	-	133	-	-	-	-	133
Wickham Toilet Works	-	50	-	50	-	-	-	-	50
Total High Quality Environment	576	307	120	1,003	340	380	380	380	2,483
EFFICIENT & EFFECTIVE									
ASSET MANAGEMENT									
Abbey Gardens - environmental improvements	-	78	-	78	-	-	-	-	78
Abbey House	-	59	-	59	40	51	50	50	250
Abbey Mill	-	6	-	6	-	-	-	-	6
Abbey Mill - hydro	149	-	-	149	-	-	-	-	149
Asset Management Plans	30	22	(2)	50	-	149	150	150	499
Avalon House	-	19	-	19	-	-	-	-	19
2-3 Bridge St	100	-	-	100	-	-	-	-	100
Carfax	2,470	135	-	2,605	-	-	-	-	2,605
Carfax Subsequent Works	1,000	-	-	1,000	16,000	12,000	-	-	29,000
Cattlemarket	-	-	-	-	-	1,250	5,000	3,750	10,000
City Offices & Annexe Works	170	402	-	572	-	-	-	-	572
Depot	-	61	-	61	-	-	-	-	61
Flood Prevention Works	100	-	-	100	-	-	-	-	100
Matley's Yard	500	-	-	500	-	-	-	-	500
Meadowside Car Park Lighting	-	22	2	24	-	-	-	-	24
New Streetcare/Pest Control Depot	200	-	-	200	-	-	-	-	200
Old Chesil Rectory	30	4	-	34	-	-	-	-	34
Property Acquisition & Development	-	4,000	-	4,000	-	-	-	-	4,000
Redevelopment of Old Bar End Depot Site	2,500	-	-	2,500	2,500	-	-	-	5,000
St Clement's Surgery	3,000	-	-	3,000	1,100	-	-	-	4,100
Winchester Town Access Plan	-	-	-	-	150	-	-	-	150
Total Asset Management Plan	10,249	4,808	-	15,057	19,790	13,450	5,200	3,950	57,447

CAPITAL PROGRAMME 2015/16 to 2019/20

	2015/16				2016/17	2017/18	2018/19	2019/20	TOTAL
	Original Budget	b/fwd from 2014/15	Other adjustments	Revised Total	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
IMT ASSET MANAGEMENT									
Equipment (server & desktop refresh)	106	37	-	143	60	20	20	20	263
Electronic Document System & SharePoint	-	12	-	12	-	-	-	-	12
Guildhall Wireless	15	-	-	15	-	-	-	10	25
Hardware (Corporate Network)	-	47	-	47	-	125	-	-	172
Infrastructure (SAN)	-	-	-	-	-	-	-	90	90
Multi Functional Device (MFD) replacement	-	-	-	-	-	-	60	-	60
New Wireless Network (West Wing)	30	-	-	30	-	-	-	-	30
Remote Working Investments (West Wing)	30	-	-	30	-	-	-	-	30
Software	-	52	-	52	-	-	30	-	82
Tape Library Upgrade	-	-	-	-	-	-	12	-	12
Telephony replacement	-	-	-	-	-	-	30	-	30
Uninterruptable Power Supply (UPS)	-	-	-	-	20	-	-	-	20
Total IMT Asset Management	181	148	-	329	80	145	152	120	826
Total General Fund	17,284	5,718	120	23,122	20,735	14,475	6,232	4,950	69,514
HOUSING REVENUE ACCOUNT									
ACTIVE COMMUNITIES									
Major repairs	7,979	180	-	8,159	6,552	6,729	6,911	7,109	35,460
New Build	13,037	537	-	13,574	14,266	9,679	5,810	5,970	49,299
Improvements and Loft Conversions	1,193	216	-	1,409	906	933	962	989	5,199
Disabled Adaptations	731	-	-	731	750	772	795	819	3,867
Other Capital Spend	136	66	-	202	108	111	114	117	652
Total Housing Revenue Account	23,076	999	-	24,075	22,582	18,224	14,592	15,004	94,477
Grand Total	40,360	6,717	120	47,197	43,317	32,699	20,824	19,954	163,991