

Name of meeting and date: Cabinet
Wednesday 16th June 2009

Council
Wednesday 24th June 2009

Title of report: Financial Outturn 2008/09 – Rollover on the
Capital Investment Plan 2009/10 to 2013/14

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Is it in the Council's Forward Plan?	Not applicable
Is it eligible for "call in" by Scrutiny?	Not applicable
Cabinet member portfolio	Cllr M Khan and Cllr K Pinnock

Electoral [wards](#) affected and ward councillors consulted: All

Public or private: Public

1. Purpose of report

This report will set out details of the level of capital investment in 2008/09 and the levels of under/over utilised budgets. It will make recommendations to the Cabinet on the appropriate carry forward of budget provisions into the period 2009/10 to 2013/14. Subject to approval, these amounts carried forward will be incorporated into the Capital Investment Plan which was approved in February 2009. The resulting revised Capital Investment Plan for 2009/10 to 2013/14 will then form the budget which is monitored against in the short and medium term. The Cabinet is required to make its recommendations on the updated Capital Investment Plan to the Council meeting on 24th June 2009.

2. Key points

The overall level of capital investment for 2008/09 from all sources of funding was £113.1m, which was 11% higher than the equivalent figure for 2007/08.

A revised five year Capital Investment Plan for the period 2009/10 to 2013/14 is recommended for approval. This is essentially the plan approved in February 2009 updated for slippage and reprogramming.

3. Implications for the Council

The revised Capital Plan proposed is essentially the version approved in February 2009 updated to reflect the actual levels of expenditure in 2008/9 and the latest information on the progress of individual schemes. The level of corporately funded borrowing required over the 5 year period of the Plan remains consistent with the assumptions made during the preparation of the MTFP.

4. Consultees and their opinions

This report has been prepared by the Director of Finance after consultation with the Executive Management Group.

5. Officer recommendations and reasons

It is recommended that the updated Capital Investment Plan is approved and referred to the Council on 24th June 2009.

6. Cabinet portfolio holder recommendation

The Cabinet Portfolio holders support the officer recommendation.

7. Next steps

The Cabinet's recommendations will be considered at full Council on 24th June 2009.

8. Contact officer and relevant papers

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1. BACKGROUND

- 1.1 The 2008/09 Capital Plan made provision for gross expenditure of £172.3m. Further amendments to the Capital Plan approved by Cabinet/Council during the course of the year led to a revised control total of £163.4m.
- 1.2 For the purposes of funding this investment, a net level of spending of £125.8m was forecast.

2. MAIN ISSUES

Capital Investment in 2008/09

- 2.1 The overall level of investment from all sources of funding was £113.1m. This figure compares with a maximum authorised spending figure of £172.3m approved by Council in June 2008 and the updated control total of £163.4m. The updated control total reflects further amendments to the Capital Plan approved by Cabinet/Council during the course of the year. In practice, however, it is recognised that many schemes will slip due to unforeseen circumstances, and for this reason there is an expectation that the outturn will be substantially less than both these figures. For the purposes of arranging borrowing and providing for these borrowing costs in the MTFP, an estimated outturn of £125.8m was used.

Table 1: Capital Investment 2008/09

	Budgets £m	Actuals £m	Variance £m	
Capital Plan June 2008	172.298	113.053	N/A	
Capital Plan Control Total	163.429	113.053	-50.376	
'Expected' Outturn	125.800	113.053	-12.747	10%

Overall there has been an underspending of £50m against the control totals, but only £13m against the 'expected outturn'. The detailed variances from budget are shown, service by service, in the third column of Appendix 1, with the principal variations described in Appendix 2.

Capital Financing in 2007/08

- 2.2 The financing of the new capital investment in 2008/09 compared with the maximum level of financing estimated to be required in June 2008 is as follows:-

Table 2 : Funding of Capital Investment 2008/09

	Budget June 2008 £m	Actual £m	Variance £m
Funding required	172.298	113.053	-59.245
Met by			
Funding b/f	35.908	35.908	0
Supported borrowing	15.642	15.642	0
Capital Grants/Contributions	65.480	50.875	-14.605
Capital Receipts	11.574	3.663	-7.911
HRA Revenue Contributions	4.863	5.879	+1.016
Unsupported borrowing			
- Corporately Funded	51.868	35.167	-16.701
- Service Funded	13.453	6.853	-6.600
Overprogramming	6.464	0	-6.464
	205.252	153.987	-51.265
Funding c/f to future years	32.954	40.934	+7.980
Funding provided	172.298	113.053	-59.245

- 2.3 The actual level of expenditure requiring funding was £59.2m less than planned at the time of the June 2008 review of the Capital Investment Plan. In terms of capital grants and contributions, these were lower than anticipated due to slippage of grant funded schemes to the following year. Capital receipts were severely affected by the economic conditions which prevailed from Summer 2008.
- 2.4 The end result was that the overall level of unsupported borrowing needed to fund the Capital Investment Plan was £42.020m compared with an anticipated figure of £65.321m. It should be noted that of this total around £6.85m was what is termed 'self funded' capital expenditure i.e. the financing consequences of the investment are met by services directly. For the balance of £35.15m the financing is funded corporately.

Updated Capital Investment Plan

- 2.5 When the Council approved the 'new' Capital Investment Plan in February 2009 for the 5 year period from 2009/10 to 2013/14 it made provision for a level of investment of £671m. This now needs to be updated to take account of slippage from 2008/09 and changes in the estimated levels of resources available.
- 2.6 In previous years, the general approach has been that overspendings or underspendings in one year have been carried forward to the second year. This approach has generally been adopted this year although some Heads of Service have taken the opportunity to review progress on programmes and schemes with a view to achieving a more realistic spending profile over the period of the Capital Investment Plan.

In overall terms the revised Capital Investment Plan submitted for approval is the same as the February 2009 version plus the slippage from 2008/09. Some of the underspending brought forward appears in the second, third and fourth years as a result of more realistic programming. As previously identified there is limited capacity to achieve the programmes/projects and to achieve these levels of expenditure in the early years of the revised Capital Plan would require increased technical capacity. The Revenue Budget planning for the borrowing costs therefore assumes significant levels of slippage in the earlier years of the Capital Plan based on a more even profile of spending over the five years.

Capital Financing

- 2.7 The latest estimates of capital resources available over the 5 year period of the Capital Investment Plan are shown on page 2 of the new document. Most of the resources are hypothecated to the major service areas (Housing, Children and Young People Service and Highways). The significant figure is the level of unsupported borrowing which needs to be monitored under the Prudential Code arrangements. The maximum unsupported borrowing requirement if all programmes were able to proceed (see section 3 above) would be £225.6m over the period from 2009/10 to 2013/14. If this is adjusted for previously assumed slippage/delays, this is consistent with the £216.0m previously assumed and included in revenue budget planning.

Conclusion

- 2.8 This report shows changes in expenditure and resources relating to capital expenditure in 2008/09. This shows slippage on a range of schemes with explanations provided for the main items. An updated Capital Investment Plan is attached which rolls forward unallocated resources with proposals for updating and re-phasing of schemes within overall resource totals.

3. IMPLICATIONS FOR COUNCIL POLICY

The Capital Plan reflects, as far as possible, the Council's priorities and its current Corporate Improvement Programme.

4. IMPLICATIONS FOR COUNCIL GOVERNANCE

This is a key element of the Corporate Governance arrangements and it is submitted to both Cabinet and the Council itself. The report is linked to and summarises information within the formal Statement of Accounts which will be submitted to the Council's Audit and Governance Committee on 30th June 2009 for approval.

5. MONITORING AND REVIEW

This report represents the final stage of monitoring and reporting on the levels of capital investment in 2008/09.

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ANALYSIS OF MAJOR VARIANCES FROM UPDATED CAPITAL PLAN 2008/09

These are summarised in Column 3 of Appendix 1. The principal variations were as follows:-

(i) ChYPS -£11.716m

The major reasons for the underspending are as follows:-

£2.143m for Young Peoples Service due mainly to delays in progressing two major new initiatives at Cleckheaton and the Colne Valley.

£1.917m for Surestart due to delays in progressing Children's Centre developments at Almondbury, Dalton and Newsome.

£1.505m on the Schools Harnessing Technology Grant, which is devolved to individual schools.

£1.378m on National Digital Infrastructure, again devolved to schools.

£1.280m on NDS Modernisation, mainly as a result of protracted negotiations regarding site purchase for the replacement school for Whitcliffe Road F & N School. There were further small underspendings against a large number of projects.

£0.940m on the Kirklees Music School (KMS) proposals to refurbish KMS premises, which are now on hold pending the outcome of a review of the future relationship between the Council and KMS.

(ii) Regeneration (including Culture and Leisure) -£8.010m

The majority of the underspending relates to major issues on the Regeneration side of the plan. This includes £2.2m relating to delays on the St George's Square redevelopment. A further £2m relates to a contribution to Huddersfield Technical College for the Waterfront development which has been delayed.

The balance of the underspending is made up of project delays and issues on smaller schemes including certain Library and Information Centre schemes, works at Oakwell Hall and play area schemes.

(iii) Housing Public Sector -£4.179m

Estate Regeneration - Delays in the Primrose Hill Homezone project led to an underspending of £0.3m. Additionally, the Whitacre Close project was delayed whilst it was re-scoped, approval being granted at the end of 2008 (-£0.6m).

The budget for the improvement and refurbishment of sheltered accommodation was underspent by £1.4m due to a combination of delays in procurement, additional works being identified causing a delay in completing the specification, and efficiencies being made.

Health and Safety - Works on heat meters were delayed due to a delay in scoping of the works (-£0.7m). There was also slippage on renewable energy works due to final approval for types of energy works not being made until December 2008 (-£0.7m).

Decent Homes (-£0.595m) - The majority of the underspend was on the door replacement programme due to amendments to the specification and legal requirements. Additionally in relation to the door replacements completed, the prices obtained were more competitive than originally anticipated.

(iv) Environment Unit -£3.615m

The underspending on the Environment Unit is due to the lead-in time in delivering major, technical capital schemes, as follows:-

The Climate Change Fund accounts for £1.5m of the underspending. This budget has now been allocated to specific schemes, and it is anticipated that schemes will progress in 2009/10.

It has taken time for the Renewable Energy Loans scheme to get up and running. This scheme accounts for a further £1m of the underspending. Applications for loans have now been received and the first loans should be going through shortly.

Warmzone accounts for a further £0.5m of the underspending. This scheme's spending profile has slipped slightly, but it has continued to progress well and it is on target to be completed by the summer of 2010.

(v) Transport Services (including Vine Street) -£3.526m

There has been an underspending of £2.035m on depot redevelopment originally due to commence in June 2007, but due to affordability issues this was eventually delayed until October 2008.

Vehicle Replacement - An underspending of £1.491m mainly represents delayed service vehicle replacements, but highlights the savings made by services who have utilised assets over a longer lifespan than originally intended, effectively maximising the useful life of the asset while working alongside Transport Services to ensure that significant charges are not incurred.

(vi) Office Accommodation -£3.204m

Project delays on the Waterfront scheme have caused a underspending of £1.740m.

Delays in the Data Centre project have led to a further underspending of £0.856m.

(vii) Highways -£2.259m

This underspending arises from general slippage across the programme, due partly to the adverse winter weather conditions and also delays in getting approval to ward based expenditure.

(viii) Housing Private Sector -£2.181m

Bringing empty properties back in to use (-£0.5m). In order to embark on the CPO purchase the Council is required to have funds in place. However spending occurs towards the end of a long process during which time the majority of owners actually bring the properties back into use. As such there was no spending in the year.

Health and Safety emergency grants/loans. This budget was supplemented by rolled over resources in the year to fund a new interest free loan product administered by Credit Union. However Yorkshire and Humber Regional Home Loans Service are currently developing their own home improvement loan which will be regionally funded and as such this product was not introduced which resulted in an underspending of £0.313m.

Discretionary Assistance (-£0.261m). This budget is used to fund those adaptations which exceed the maximum mandatory grant limit in the private sector via Home Appreciation Loan funding. Although take up for this is slow, the Service is presently looking at its policy, especially with regard to funding for childrens cases.

Affordable Housing/Regeneration schemes. Some work planned in 2008/09 was deferred due to the current economic climate which has impacted on site starts (-£0.681m). Work is underway to deploy this resource in 2009/10.

(ix) Intech -£2.099m

IT replacement strategy (-£1.233m). This is service funded capital and is used to purchase PCs for the PC Rental Scheme. The amount spent depends entirely on orders coming from customers. In 2009/10, InTech will probably reduce the capital plan provision for this.

Corporate Infrastructure and Corporate Facilities (-£0.666m). Slippage on service-funded capital projects.

Kirklees Direct Call Management (£-0.2m). This project is corporately funded capital and received Cabinet approval in December 2008 and is just about to go out to tender.

(x) Contingency -£1.857m

None of the budgeted contingency sum was required in 2008/09.

(xi) Adult Services - £1.569m

The scheme to redevelop the Oakes Villa site is no longer going ahead due to the review of Council day care provision (£0.587m)

In addition, there was planned rollover of the provisions for improving information management (£0.359m) and for a contribution towards the new Huddersfield Sports Centre scheme (£0.333m).

(xii) Bereavement Services - £1.517m

£1.100m Fenay Bridge Cemetery. Development delayed due to protracted planning process and the need to build further flood alleviation measures into the design.

(xiii) Policy and Governance - £1.472m

This relates to Area Committee approved expenditure where although schemes have been approved during 2008/09 actual expenditure will take place in subsequent years.

CAPITAL BUDGET OUTTURN 2008/09

Service Area	BUDGET	ACTUAL	VARIANCE
	£'000	£'000	£'000
Housing (Public)	21,470	17,291	-4,179
Housing (Private)	11,425	9,244	-2,181
Childrens Services (incl YPS & KMS)	38,086	26,370	-11,716
Highways	27,073	24,814	-2,259
Regeneration	24,901	16,891	-8,010
Adult Services	3,907	2,343	-1,564
Community Support	771	253	-518
Policy & Governance	2,853	1,381	-1,472
Transport Services	8,463	4,937	-3,526
Env & Strategic Waste	1,518	1,139	-379
Environment Unit (Incl Sustainability Fund)	7,882	4,267	-3,615
Bereavement Services	1,919	402	-1,517
Office Accommodation	4,370	1,166	-3,204
Commercial (Non Op) Property Management	19	15	-4
Design & Property Services	13	13	0
Building Services	672	122	-550
Intech	3,574	1,475	-2,099
Performance & Communication	908	8	-900
Corporate HR	150	29	-121
Revenues and Benefits	251	167	-84
Catering & Cleaning	369	332	-37
CCRM / DDA	934	375	-559
BR4P	24	0	-24
Contingency	1,857	0	-1,857
Streetscene	20	20	0
TOTAL	163,429	113,053	-50,376