

AGENDA MANAGEMENT SHEET

Name of Committee

Cabinet

Date of Committee

21st July 2005

Report Title

Capital Outturn 2004/2005

Summary

This report identifies 2004/5 capital spending and how it is financed. The report shows how capital spending has changed since the last report to Cabinet on 13th January 2005 and asks Cabinet to agree the carry forward of funding resources into 2005/6.

For further information please contact:

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No.

Would the recommended decision be contrary to the Budget and Policy Framework?

Background papers

Capital Programme Closedown 2004/5 File L.129H

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees

☐

Local Member(s)

☐

Other Elected Members

☐

Cabinet Member

☒ Cllr. Farnell,
Cllr Cockburn – Portfolio Holder ‘approved for consideration’

Chief Executive

☐

Legal

☒ Barry Jukes – comments incorporated

Finance

☒ David Clarke, County Treasurer – reporting officer

Other Chief Officers

☒ All chief officers – comments incorporated

District Councils

☐

Health Authority

☐

Police ☐

Other Bodies/Individuals ☐

FINAL DECISION NO

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee ☐

To Council ☐

To Cabinet ☐

To an O & S Committee ☐

To an Area Committee ☐

Further Consultation ☐

Agenda No

Cabinet - 21st July 2005.

Capital Outturn 2004/2005

Report of the County Treasurer

Recommendation

That Cabinet notes the 2004/5 outturn capital expenditure of £74.378 million, detailed in Table 1, and its financing (Table 2), and agrees the carry over of £7.981 million surplus funding resources into 2005/6 needed to fund the existing capital programme.

1. Introduction

- 1.1 Capital expenditure is spending on assets which have a life of more than a year. It includes acquisition of land, construction and improvement of buildings and roads, and the purchase of plant, machinery and equipment.
- 1.2 It is now possible to outline the outturn position on capital expenditure for 2004/5. This report considers both the overall level of capital spending during the year and the financing of that expenditure. All figures are still subject to audit at this stage.

2. Variations from January 2005 Forecast

- 2.1 Payments on capital schemes tend to be spread over a number of financial years. This means that there were payments made in 2004/5 not only for schemes started in that year but also for schemes started in earlier years. Also, in some cases preliminary costs have been incurred for future projects.
- 2.2 Most of the cases identified in this report where payments fall short of estimate do not therefore relate to overall underspends on projects but to instances where projects have not proceeded to timetable and payments have slipped from 2004/5 into 2005/6 or later years. Where there is slippage in payments the resources released will need to be carried forward to 2005/6 to enable projects to be completed.
- 2.3 Estimates for capital projects were last reviewed in January 2005. One of the requirements of the CIPFA prudential code is that authorities are required to monitor against specified prudential indicators approved by the County Council. Capital expenditure is one of those indicators. Actual expenditure in 2004/5 was £74.4 million compared with an estimate of £82.4 million in January. Expenditure for future years is currently being reviewed and will rise

as further schemes are approved e.g. funded from developer contributions or additional Government approvals. This review is scheduled to be reported to Cabinet in September 2005.

- 2.4 Table 1 compares outturn capital spending in 2004/5 by Department with the payments forecast reported to Cabinet in January. In addition, since January, £0.5 million of structural building work costs have been charged as capital expenditure financed from revenue.
- 2.5 Capital payments in 2004/5 have fallen short of the estimate by £8.5 million. This is equivalent to 10.3% of 2004/5 estimated spending which compares with a figure of 18.6% for 2003/2004. However, the capital accounts have in 2004/5 been prepared on a different basis with spending increased for works, vehicles and equipment completed or delivered in 2004/5 but not paid for.
- 2.6 A more detailed analysis of the shortfall is provided at paragraph 3 below. The main areas of slippage in expenditure terms are Education (£3.5 million) and PTES Department (£3.6 million).

Table 1

Capital Programme 2004/2005

Comparison of Actuals with Estimates

Report Paragraph	Department	Capital Payments Forecast (Cabinet Jan 05) £000	Actual Capital Payments 2004/5 £000	Variation Jan 05 to Actual £000	%
3.1.	Education	35,671	32,149	(3,522)	[-9.9]
3.2.	Libraries, Heritage & Trading Standards	555	301	(254)	[-45.8]
3.3.	Planning, Transport & Economic Strategy	39,320	35,725	(3,595)	[-9.1]
3.4.	Social Services	981	804	(177)	[-18.0]
3.5.	Other	5,832	4,881	(951)	[-16.3]
	Total	82,359	73,860	(8,499)	[-10.3]
	Capitalisation of Structural Building Works		518	518	
	Total Capital Expenditure	82,359	74,378	(7,981)	[-9.7]

- 2.7 In summary, there has been slippage in the 2004/5 capital programme but the extent is significantly reduced from the slippage level in 2003/4. Some slippage is due to circumstances such as planning issues which are outside of the control of the Authority. Estimates of the phasing of payments on projects e.g. developer schemes and school level spending grant have been more realistic and this has also contributed to the reduced level of slippage. We will continue to look at ways of further reducing slippage in the future.

3. The main areas of slippage or underspendings in 2004/5 are as follows:

3.1 Education

Capital spending was £3.522 million under estimate. The main variations were: -

	£000
a. Schools Devolved/Seed Challenge Allocations Actual payments in 2004/5 on school level projects exceeded the estimate, which made assumptions on how much school spending was likely to be phased in 2004/5 based on previous years' experience.	+1,136
b. Warwick, Myton School The project was expected to commence in early December 2004, however delays in gaining lottery funding, a major part of the funding of the scheme, prevented this. Work on site actually commenced in March 2005 some 4 months later than planned.	-618
c. Education Modernisation Programme 2004/5 All projects were committed during the financial year but some spending on works/projects will fall into 2005/6.	- 583
d. Condition Funding 2003/2004 Some 2004/5 projects have been delayed and cancellations and savings on other projects have allowed additional schemes to be funded. This remaining expenditure will now occur during the course of 2005/6.	- 582
e. Nuneaton and Bedworth Special Schools Delays have been experienced in the provision of an on-site HV electrical substation installed by Central Networks. The combined new school is scheduled to open in October 2005.	-526
f. Alcester Primary School This project was originally programmed to start on site in October 2004. However, various planning issues delayed the original commencement. The project is now scheduled to start in July 2005	- 444

	£000
g. Nuneaton, Camp Hill Community Buildings Project Phase 1 of this project was originally scheduled to commence on site during 2004/05. The project was rescheduled and phase 1 work commenced on 15th March 2005 and was completed on 14 th June 2005. Phase 2 of the works are currently at the planning stage.	-325
h. Other variations of less than £0.3 million.	-1,580

3.2 Libraries, Heritage & Trading Standards

Capital spending was £0.254 million under estimate as shown below: -

	£000
a. Warwick District - Integrated One Stop Shop This is a major joint project venture with Warwick District Council. Decisions on which Libraries would be involved and the subsequent tendering exercise has resulted in a delay to the start of the project.	- 215
b. Other projects There were smaller variations on a number of other projects.	- 39

3.3 Planning, Transport and Economic Strategy Department

Actual spending in 2004/5 was £3.595 million less than estimate. This breaks down to the following areas: -

	£000	Variation (%)
Transport	-1,319	[-4.9]
Countryside	-229	[-65.2]
Economic Development	-1,051	[-10.8]
Waste Disposal	-21	[-51.3]
Other	-975	[-40.7]

The variations over £100,000 above are: -

3.3.1 Transport [-£1.319 million]

The shortfall against estimate breaks down as follows: -

	£000	Variation (%)
1. Major Schemes	-1,163	[-35.3]
2. Structural Maintenance of Roads	100	[+1.1]
3. Structural Maintenance of Bridges	-39	[-2.2]
4. Developer Funded Schemes	-169	[-3.6]
5. Integrated Transport	-48	[-0.6]
Total	-1,319	[-4.9]

1. The shortfall in expenditure on major schemes was due to the Council not being able to make payments for land on the Barford Bypass scheme. The 2004/5 budget allowed for significant land payments to be made. However, the landowners did not claim the payments before 1st April 2005. It is anticipated that the land payments will be claimed this year and funds will need to be carried forward to 2005/6 to meet the cost.
2. The overspend of the Structural Maintenance of Roads budget is a consequence of charging all works of a capital nature against the capital budget. In previous years, a substantial part of the capital spend (around £2 million) was charged to the revenue budget. The overspend was funded by a contribution from the revenue budget.
3. Progress on developer funded schemes is largely determined by developers. There is no overall impact on the County Council in financial terms as funding is deferred and automatically reimbursed under planning agreements once spending has been incurred.

3.3.2 Countryside [- £0.229 million]

	£000
a. Minor Works	
<p>The underspend was due, in part, to a delay on a 36 metre footbridge over the River Stour between Alderminster and Whitchurch. The project was set back due to Environment Agency constraints and design approval.</p> <p>The residue from the 2004/5 minor works budget was insufficient to fund the resurfacing of the internal roads in Kingsbury Water Park, so the remaining funds will need to be combined with the 2005/6 allocation if the project is to proceed.</p>	
	- 160
b. Other minor variations	- 69

3.3.3 Economic Development [- £1.051 million]

The main reasons for the underspending are: -

	£000
a. Leamington Spa, Investment in Althorpe Street The County Council will not be required to contribute any additional funds to this project. The project will be funded from Warwick District Council resources.	- 343
b. Nuneaton, Midland Quarry – Phases 1 and 2 The underspend on this project was caused by a delay appointing Galliford Midlands as the contractor on the INF 3 phase 2 works following a request for exemption from the need to tender the contract..	-276
c. Rugby, Sir Frank Whittle Business Centre – Phase 3 The underspend was due to the unexpected, additional time taken to secure planning permission from Rugby Borough Council. The project has now started on site and the works are in line with the programme timescale. The project is expected to be completed in October 2005.	-258
d. Other smaller variations	-174

3.3.4 Other [- £0.975 million]

	£000
a. Development of Furniture Re-use Scheme The land at Camp Hill, Nuneaton, earmarked for this project, was on an old landfill site. Correction of contamination found on the site would have doubled the cost of the project. Other sites in the Nuneaton area are now being considered and the project will not proceed until an alternative site is identified.	-570
b. Vehicles Approximately £0.14 million of winter maintenance vehicle purchase costs were funded from the Structural Maintenance of Roads budget.	-185
c. Depot Improvements Slippage occurred with our depot works programme due to design difficulties mainly relating to drainage issues. These have now been resolved and the works at both Budbrooke and Coleshill depots should be completed in 2005/6.	-161
d. Other minor variations	-59

3.4 Social Services [- £0.177 million]

Actual spending in 2004/5 was £0.177 million under estimate as shown below:
-

	£000
a. Information Technology Improvements to Information Management	
There was some delay in progressing the planned office reorganisation in 2004/5 and as a consequence the IT networking. Final work on linking buildings cannot be started until decisions on the future use of broadband have been made.	- 139
b. Other minor variations	- 38

3.5 Other [- £0.951 million]

Actual spending in 2004/5 was £0.951 million less than estimate. This breaks down to the following areas: -

	£000	Variation (%)
Computing and Management Services (CAMS)	+348	[+21.3]
Fire & Rescue Service	+312	[+60.8]
Magistrates Courts	-83	[-78.1]
Property Services	-1,528	[-38.2]

The variations over £100,000 are: -

3.5.1 CAMS [+ £0.348 million]

The reasons for the overspending are: -

	£000
a. Web Developments	
The original estimate excluded £350K spending funded from IEG capital grant.	+405
b. Data Communications Network	
Planned installations had to be deferred or delayed until technical issues such as asbestos had been resolved, and due to suppliers delivery times being extended.	-225
b. Infrastructure e government	
An estimate of how much of the £6m revenue budget would be of a capital nature was required to be prepared before the final list of projects to be undertaken in year had been agreed – the estimate was understated.	+204
d. Other minor variations	-36

3.5.2 Fire and Rescue Service [+ £0.312 million]

The reasons for the overspending are: -

	£000
a. Vehicle purchases Three replacement fire appliances and a car were purchased and financed from borrowing instead of being leased as this was demonstrated to be more cost effective.	+510
b. Facilities for female fire fighters This project has been funded from a surplus on the Nuneaton Station refurbishment. The amount of funding available to source this project could only be established on the completion of Nuneaton Station in November 2004. In addition, the requirement for a full asbestos survey has also delayed the project start	-101
c. Other smaller variations on a number of projects	- 97

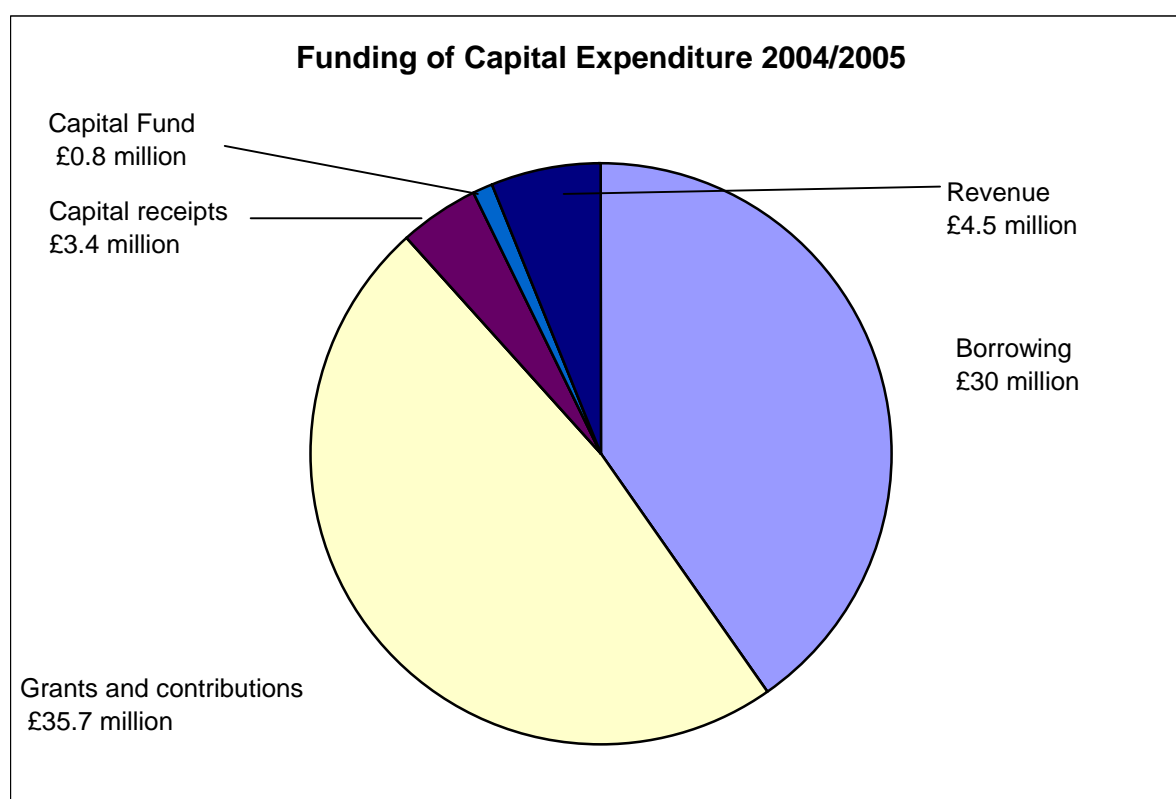
3.5.3 Property Services Department [- £1.528 million]

The main variations are: -

	£000
a. Disability Discrimination Act Works – Shire Hall These works have been subject to a long planning consultation process with Warwick District Council. Subject to the second planning application being successful monies will be expended during 2005/06.	-465
b. Warwick Saltisford premises The first lease payment to the Developer was delayed due to lease negotiations and legal issues. The payment, due in 2004/5, was made upon the signing of the lease in 2005/6.	-348
c. Disability Discrimination Act Works – Other Premises The design work for these schemes was completed in Winter 04 with the majority of works taking place early in 2005. However, extensive client liaison, listed building consent and planning issues meant certain projects were delayed and whilst all projects were commenced in 2004/5 those affected by delays have been or will be completed in 2005/6.	-346
d. Major structural works to buildings All projects were committed during the financial year but some works will not be completed until 2005/6.	-158
e. Other smaller variations All projects were committed during the financial year but some works/projects will fall into 2005/6.	-211

4. Financing of 2004/5 Capital Expenditure

- 4.1 The graph below shows how the 2004/05 capital expenditure of £74.4 million has been financed. The largest item is £35.7 million for grants and contributions from the government and other external developers and organisations. £3.4 million was received from the sale of land and buildings, £4.5 million from revenue (mainly IT development charged to capital and funded from revenue) and £0.8 million from the Capital Fund. The grants total includes Education devolved formula and modernisation grants and the capital element of the performance reward grant for the Authority's public service agreement. This performance reward grant totalled £2.7 million and has been used to reduce the contribution from the Capital Fund to £0.8 million. The balance of funding has been met from prudential borrowing.



- 4.2 Table 2 below compares the actual financing of capital expenditure with the forecast in January 2005.

Table 2 Capital Financing 2004/2005 Comparison of Actuals with Estimates			
Funding Category	Capital Financing Forecast (Cabinet Jan 05) £000	Actual Capital Financing 2004/5 £000	Variation Jan 05 to Actual £000
1. Self financing borrowing	3,380	2,624	(756)
2. Supported borrowing	30,054	25,093	(4,961)
3. Unsupported borrowing	4,220	2,247	(1,973)
4. Sub total - borrowing	37,654	29,964	(7,690)
5. Grants and contributions	36,114	35,747	(367)
6. Capital receipts	2,376	3,432	1,056
7. Capital Fund	3,475	785	(2,690)
8. Revenue	2,740	4,450	1,710
9. Total	82,359	74,378	(7,981)

- 4.3. Table 2 shows that actual capital receipts from the sale of land and buildings and revenue funding were higher than anticipated in January. The reduced Capital Fund contribution has allowed the benefit of the performance reward grant to be moved to general reserves. The slippage in capital expenditure has mainly been reflected in reduced borrowing compared with the estimate in January. Table 2 highlights borrowing **supported** by the Government and **unsupported** borrowing where the full revenue cost falls on the Council Tax. Some unsupported borrowing is **self-financing**, as departments have agreed to find the resources to meet the additional debt charges.
- 4.4 Financing resources generated by the shortfall will be required in 2005/6 to fund expenditure which has slipped from 2004/5 and Cabinet is asked to agree the carry forward of the resources.

DAVID CLARKE
County Treasurer

Shire Hall
Warwick
06 July 2005