

**AGENDA MANAGEMENT SHEET**

**Name of Committee**

**Cabinet**

**Date of Committee**

**27th June 2006**

**Report Title**

**Capital Outturn 2005/2006**

**Summary**

This report details our 2005/06 capital spending and how it has been financed. The report shows how capital spending has changed since the third quarter monitoring report to Cabinet on 2 February 2006 and asks Cabinet to agree the carry forward of funding resources into 2006/07.

**For further information please contact:**

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

No.

**Background papers**

Capital Programme Closedown 2005/06 File L.129I  
Cabinet 2<sup>nd</sup> February 2006, Agenda No. 21 – Capital Programme Review

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

Other Committees

.....

Local Member(s)

Other Elected Members

Cllr Tandy, Cllr Roodhouse, Cllr Booth

Cabinet Member

Cllr Farnell, Cllr Cockburn

Chief Executive

.....

Legal

Barry Jukes – comments incorporated

Finance

David Clarke, Strategic Director, Resources – reporting officer

Other Chief Officers

All Strategic Directors, Financial Services Managers, Staff involved in capital schemes – comments incorporated

- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**

**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 - 27th June 2006

#### Capital Outturn 2005/2006

#### Report of the Strategic Director, Resources

##### Recommendation

That Cabinet:

- notes the 2005/06 outturn capital spending of £64.054 million, detailed in Table 1, and its financing (Table 2), and
- agrees the carry over of surplus funding resources into 2006/07, where necessary, to fund the existing capital programme.

#### 1. Introduction

- 1.1 Capital spending 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 spending for 2005/06. This report considers both the overall level of capital spending during the year and the financing of that spending. All figures are still subject to audit at this stage.

#### 2. Variations from February 2006 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 2005/06 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 schemes due to start in future years.
- 2.2 Therefore, most of the cases where payments fall short of the estimate do not relate to overall underspends but are the effect of schemes not proceeding as timetabled. In these cases payments have slipped from 2005/06 into 2006/07 or later years. Where there is slippage in payments the funding resources need to be carried forward to 2006/07 to enable schemes to be completed.
- 2.3 The estimated payments for capital schemes in 2005/06 were last reviewed by Cabinet in February 2006. Actual spending in 2005/06 was £64.054 million compared with an estimate of £78.370 million in February. Estimated spending for 2006/07 and future years is currently being reviewed to reflect

both the slippage in 2005/06 and other known changes. This review will be reported to Cabinet in September 2006.

2.4 Table 1 compares outturn capital spending in 2005/06 by Department with the payments forecast reported to Cabinet in February. In addition, since February, £0.387 million of structural building work costs have been charged as capital spending financed from revenue.

2.5 Capital payments in 2005/06 have fallen short of the estimate by £14.316 million. This is equivalent to 18.3% of 2005/06 estimated spending. However, a substantial part of this sum relates to a small delay of 2 weeks in the purchase of the Saltisford offices. Taking account of this, the shortfall would equate to 9.2%, marginally below the figure of 10.3% for 2004/05. This continues the improvement in performance seen last year, which resulted from strengthening project management arrangements around schemes. Further significant improvements would only be likely to arise if the approach to programming was changed, such that fewer, more extensively developed schemes were considered for inclusion in the capital programme. This would require a change in approach to budgeting to achieve agreement on a programme at an earlier stage in the budget process. Members have the opportunity to consider this as part of a revised medium term financial planning process.

2.6 A more detailed analysis is provided at paragraph 3 below. The main areas of slippage are Education (£4.379 million), Planning, Transport and Economic Strategy (£3.516 million) and Property Services Department (£6.883 million) – see para 3.5.2.

**Table 1: Capital Programme 2005/06 Comparison of Actuals with Estimates**

Report Para.	Department	Capital Payments Forecast (Cabinet Feb 06) £000	Actual Capital Payments 2005/06 £000	Variation Feb 06 to Actual £000	%
3.1	Education	36,502	32,123	-4,379	-12.0
3.2	Libraries, Heritage & Trading Standards	669	549	-120	-17.9
3.3	Planning, Transport & Economic Strategy	26,537	23,021	-3,516	-13.2
3.4	Social Services	2,301	2,149	-152	-6.6
3.5	Other	12,361	5,825	-6,536	-52.9
	<b>Total</b>	<b>78,370</b>	<b>63,667</b>	<b>-14,703</b>	<b>-18.8</b>
	Capitalisation of Structural Building Works	0	387	387	N/A
	<b>Total Capital Expenditure</b>	<b>78,370</b>	<b>64,054</b>	<b>-14,316</b>	<b>-18.3</b>

### 3. Comments on Variations

The main areas of slippage or underspendings in 2005/06 are as follows:

#### 3.1 Education

Capital spending was £4.379 million under estimate. The main variations were:

	<b>£000</b>
a. <u>Capital spending at school level</u> Forecasting the pattern of spending on school level schemes is based on previous years experience. The underspend reflects the fact that the pattern of spending was lower in 2005/06 compared to previous years.	-1,397
b. <u>Avon Valley School Demolition</u> This scheme was originally due to start on site at the beginning of January 2006, subject to approval of the funding package. Delays in obtaining funding to match estimated costs meant the final funding package was only approved by Council on 7 February 2006. The order was placed with Miller Construction two days later, with work commencing on site on 6 March 2006.	-1,099
c. <u>Special Needs Provision – Central and Northern areas</u> Both schemes were the subject of lengthy consultation and planning processes which delayed the start on site resulting in the underspend.	-338
d. <u>Lillington Children’s Centre</u> This scheme was originally due to start on site on 7 November 2005. However, it was delayed due to pre-contract negotiations to reduce the cost of construction. Works actually commenced on site on 12 December 2005. Further delays were then encountered due to adverse ground conditions and discovery of existing mains services, not revealed in the survey, which required construction changes.	-320
e. <u>Nuneaton Camp Hill Community Buildings Scheme</u> The scheme was expected to commence during the first quarter 2006. The actual commencement date of 16 January 2006 was early on in the quarter. As a result spending in 05/06 has been greater than forecast in the quarter 3 review.	490
f. <u>Alcester St Nicholas School</u> Phase 1 of the scheme has required additional works during the refurbishment of the existing building. These related to asbestos found in the original Vic Hallam building (contrary to 2 surveys undertaken before work commenced) and to variable floor levels from ad hoc work in the past. Major problems were also	686

encountered in accommodating the original roof structure into the new design during construction. These additional works and good progress on Phase 2 of the scheme have resulted in spending being in excess of that forecast in the third quarter review. The project overall is still within the total project funding allocation.

g. Other variations under £300,000 -2,401

### 3.2 Libraries, Heritage & Trading Standards

The underspending of £0.120 million was due to a number of small variations on schemes.

### 3.3 Planning, Transport and Economic Strategy

Actual spending in 2005/06 was £3.516 million less than estimate. This breaks down to the following areas: -

	£000	Variation (%)
Transport	-2,131	-10.1
Countryside	-184	-40.6
Economic Development	-982	-30.7
Waste Disposal	-544	-77.7
Other	325	+27.5

The variations over £100,000 above are: -

#### 3.3.1 Transport [£2.131 million under estimate]

The transport underspend can be broken down further as follows: -

	£000	Variation (%)
1. Major Schemes	138	+7.0
2. Structural Maintenance of Roads	-142	-2.1
3. Structural Maintenance of Bridges	-754	-33.2
4. Developer Funded Schemes	-1,113	-61.5
5. Integrated Transport	-260	-3.2
<b>Total</b>	<b>-2,131</b>	<b>-10.1</b>

1. The overspend on major schemes is due to increased spending on the Barford Bypass scheme. This scheme progressed well in the latter part of 2005/06 and more payments were made than anticipated. The overall estimate for the scheme remains unchanged.

2. The underspend on the structural maintenance of roads relates mainly to slippage on the Alcester pedestrian and cycleway scheme (a partly grant funded scheme) which started slightly later than expected. This accounts for £99,000 of the underspend and this scheme will now be completed early in 2006/07. Other than this the programme of works was largely spent as expected.

3. The main reason for the underspend is that three schemes were not able to get on site - Princes Drive Concrete Repairs, Harbury Station Rail and Queen Street Rail. The tenders received for Princes Drive Concrete Repairs were significantly higher than the estimate and did not offer value for money. Consultations with the Parish Council and others regarding Harbury Station Rail scheme took much longer than anticipated. And, there is unresolved local opposition to Queen Street Rail scheme. The balance of the underspend is due to a range of mainly external factors. In particular, it is proving difficult to progress some of the road over rail approach safety schemes with Network Rail for technical reasons. All these schemes are now planned for 2006/07.
4. Progress on developer funded schemes is largely determined by developers. In 2005/06, there was a large programme of schemes funded by developers and many of these schemes progressed more slowly than expected. 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.
5. The 3.2% underspend on integrated transport was mainly due to a late start on site with some Casualty Reduction Schemes and less progress than anticipated with the Safer Routes to Schools programme. All schemes will be progressed in 2006/07.

### 3.3.2 Countryside [£0.184 million underspend]

The underspending of £0.184 million was due to a number of small variations on schemes.

### 3.3.3 Economic Development [£0.982 million underspend]

The main reasons for the underspending were:

	<b>£000</b>
a. <u>Nuneaton Midland Quarry – Phase 2</u> The retention payment is still outstanding on the scheme and part of the budgeted cost has been paid directly by Advantage west Midlands(AWM).	-289
b. <u>Nuneaton Regeneration Zone</u> Actual spending on the scheme, which is externally funded, was less than expected.	-202
c. <u>Innovative Transport Initiative</u> The contract for this initiative has not yet been let because external revenue funding is required to meet the running costs. Although the application to the Stratford Town Trust was unsuccessful in 2005/06 a further approach has been made that will hopefully lead to revenue being secured.	-200

d. <u>Regeneration Schemes</u>	Budget provision has been reserved pending a formal decision on an application for ERDF funding in respect of the EPIC scheme in Nuneaton.	-148
		<b>£000</b>
e. <u>Centenary Business Centre – Phase 3</u>	Contracts cannot be let until AWM reach a decision on the funding. Planning permission was submitted in April 2006 with a decision due in June 2006.	-127
f. Other smaller variations		-16

### 3.3.4 Waste Disposal [**£0.544 million underspend**]

The main reasons for the underspending were:

		<b>£000</b>
a. <u>Grendon Waste Recycling Centre – Land</u>	Progress on the purchase of land for the development of a household waste recycling centre is dependent on the release of land at the former Sparrowdale Special School once the construction of Woodlands School at Coleshill is complete.	-325
b. <u>Kerbside Collection – 3 vehicles</u>	The underspend was caused by a delay in the delivery of these vehicles.	-243
c. Other Minor Variations		24

### 3.3.5 Other [**£0.325 million overspend**]

		<b>£000</b>
a. <u>Furniture Reuse Scheme</u>	The signing of the lease has been delayed by negotiations with the freeholder of the property over the funding of the scheme.	-231
b. <u>Winter Maintenance Gritters</u>	The opportunity arose to purchase good quality vehicles in advance of original plans. It was felt that it was worthwhile to commit this funding now rather than take the risk that necessary vehicles would be unavailable in subsequent years. The revenue impact of the additional borrowing will be met from the road maintenance budget.	212
c. <u>Warwickshire Casualty Reduction Partnership</u>	The overspend has been caused by two main issues, vandalism and police relocation costs which exceeded estimate. A number of items of equipment at traffic locations were completely destroyed and needed to be replaced. DfT guidelines allow this cost to be reclaimed from overall fine receipt levels.	368
d. Other Minor Variations		-24



### 3.4 Social Services [£0.152 million underspend]

Actual spending in 2005/06 was £0.152 million under estimate as shown below:

	<b>£000</b>
a. <u>Mental Health Provision</u> The Department of Health continues to support some borrowing for mental health capital spending, virtually all of which is commissioned from external providers in partnerships. Our partners can no longer keep pace so that proposals are now a year behind the available funding.	-166
b. <u>Social Services Replacement Vehicles</u> Major vehicle purchasing has been delayed for two years pending a review of requirements as part of day centre modernisation. We have now purchased a range of larger, more efficient vehicles and a number of people carriers in order to be more flexible. Specific revenue reserves were used to help fund the additional costs.	325
c. Other minor variations	-311

### 3.5 Other [£6.536 million underspend]

Actual spending in 2005/06 was £6.536 million less than estimate. This breaks down to the following areas: -

	<b>£000</b>	<b>Variation (%)</b>
CAMS	-113	-9.5
Chief Executives	5	+20.1
Fire & Rescue Service	455	+87.4
Property Services	-6,883	-64.8
Treasurers	0	0.4

The variations over £100,000 were:

#### 3.5.1 Fire and Rescue [0.455 million overspend]

The reasons for the overspend were: -

	<b>£000</b>
a. <u>Prime Mover Appliances</u> A replacement Prime mover was purchased and financed from borrowing rather than leasing as this was demonstrated to be the most cost effective procurement route.	106
b. <u>Fire Appliances</u> Six replacement fire appliances were purchased and financed from borrowing rather than leasing as this was	555

demonstrated to be the most cost effective procurement route.	
c. Other minor variations	-206

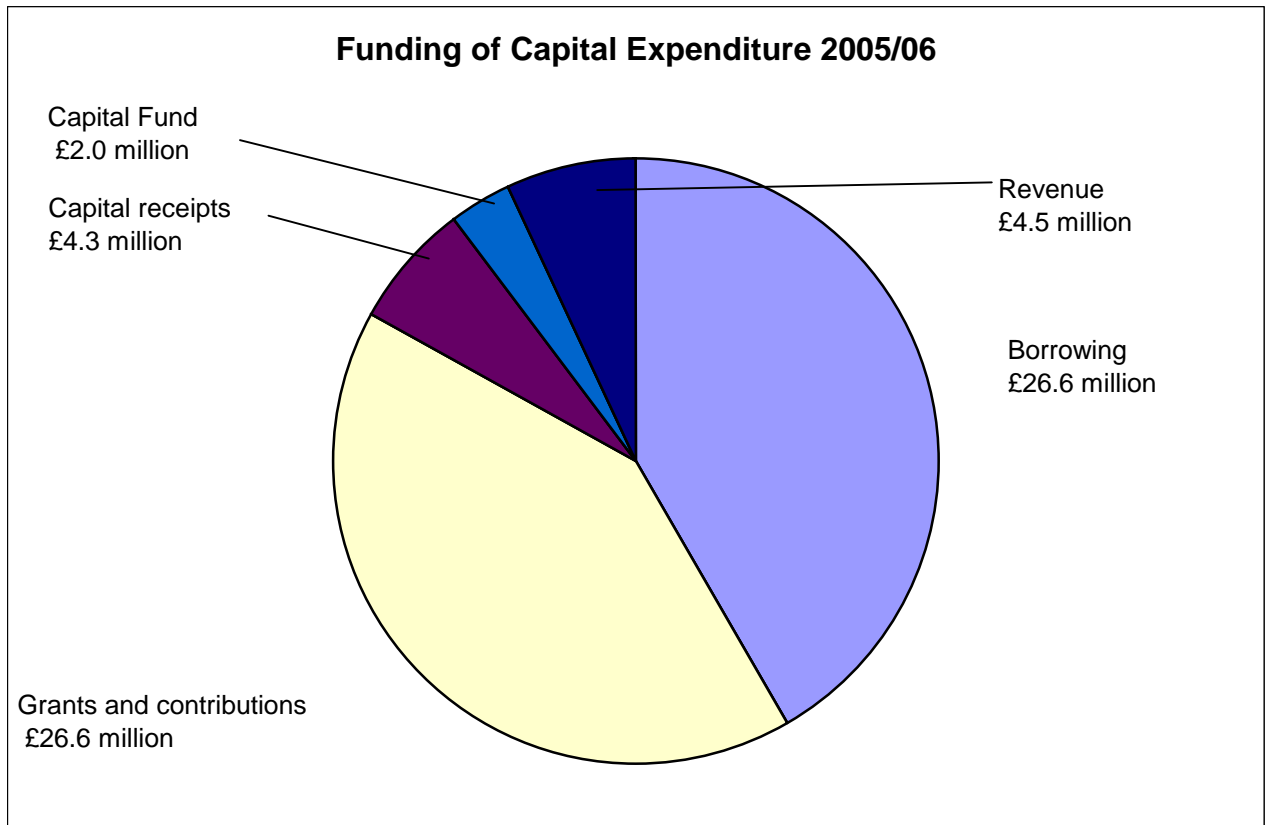
### 3.5.2 Property Services Department [£6.883 million underspend]

The main variations were:

	£000
a. <u>Warwick Saltisford New Premises</u> The final payment to the Developer was due on the fifth working day after practical completion of the Phase 1 building works. Practical completion was originally expected in 2005/06 - scheduled to take place on 17 March 2006. It was in fact achieved on 31 March 2006 delaying the final payment by five working days, until 2006/07.	-7,075
b. <u>Kings House – Bedworth Office Accommodation</u> A longer than expected consultation process on who was to occupy this building delayed the start of fitting-out works.	-399
c. <u>Disability Discrimination Act Works – Improved Access</u> Design work for these schemes was completed in 2005 with the majority of works taking place early in 2006. However extensive client liaison, listed building consent and planning issues meant some schemes were delayed and will now be completed in 2006/07.	-112
d. <u>Removal and treatment of asbestos</u> Additional asbestos work was carried out for safety reasons. A revenue contribution of £117,000 was made in 2005/06 to fund this with the balance met by reallocating budgets.	150
e. <u>Major building repairs</u> There were two main reasons for the overspend, firstly, £250,000 was spent earlier than forecast, in 2005/06 rather than in 2006/07. Secondly, the sum available to be spent was increased by £199,000 due to contributions from revenue and from Education devolved capital. The balance of £ 27,000 will be charged against the 2006/07 allocation.	476
f. Other minor variations	77

## 4. Financing of 2005/06 Capital Spending

- 4.1 The graph below shows how the actual 2005/06 capital expenditure of £64.054 million has been financed. The largest item is £26.626 million for grants and contributions from the government and other external developers and organisations. £4.342 million was applied from the sale of land and buildings, £4.469 million from revenue and £2.000 million from the Capital Fund. The balance of funding has been met from prudential borrowing (£26.617 million).



4.2 Table 2 below compares the actual financing of capital expenditure with the forecast in January 2006.

<b>Table 2: Capital Financing 2005/06 – Comparison of Actuals with Estimates</b>			
Funding Source	Capital Financing Forecast (Cabinet Feb 06) £000	Actual Capital Financing 2005/06 £000	Variation Jan 06 to Actual £000
Self financing borrowing	2,391	1,460	(931)
Supported borrowing	25,653	23,907	(1,746)
Unsupported borrowing	1,022	1,250	228
<b>Sub total - borrowing</b>	<b>29,066</b>	<b>26,617</b>	<b>(2,449)</b>
Grants and contributions	30,988	26,626	(4,362)
Capital receipts	13,285	4,342	(8,943)
Capital Fund	1,797	2,000	203
Revenue	3,234	4,469	1,235
<b>Total</b>	<b>78,370</b>	<b>64,054</b>	<b>(14,316)</b>

4.3. The slippage in capital spending has been reflected in a reduced funding requirement from capital receipts, grants and contributions and borrowing compared with the latest estimate from February 2006. Actual capital receipts

from the sale of land and buildings were lower than anticipated in February. In particular the sale of land at Aylesford, Warwick was not completed in 2005/06 because it took longer to secure planning permission than expected. The increase in revenue funding is due to additional funding of capital expenditure in schools and for social services vehicles. The slippage in capital expenditure has mainly been reflected in the reduced requirement to take out new borrowing. 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 Cabinet is asked to agree the carry forward of these resources into 2006/07 to allow the schemes where spending has slipped to be completed.

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12 June 2006