

Wiltshire Council

Cabinet

14 September 2010

Subject: Capital Budget Monitoring 2010-11

**Cabinet Member: Councillor Fleur de Rhe-Philippe, Finance,
Performance and Risk**

Key Decision: No

Executive Summary

The report reflects the position of the 2010-11 capital programme as at 31 July 2010.

The report also details budget changes which are to be noted by Cabinet.

Proposal

- a) To note the current position of the 2010-11 capital programme.
- b) Note the budget changes in section 1 of Appendix B
- c) To decide on how the cut in education funding from central government is dealt with in the 2010-11 capital programme through the 3 options identified.
- d.) To approve the addition to the capital programme of schemes at Monument Hill Reed Bed and Marlborough Household Recycling Centre under the conditions set out in the report.

Reasons for Proposals

To inform cabinet of the current position of the 2010-11 capital programme and identify issues which need to be resolved as a result of cuts in funding from Central Government.

Matthew Tiller

Interim Chief Accountant (Acting Section 151 Officer)

Wiltshire Council

Cabinet

14 September 2010

Subject: Capital Budget Monitoring 2010-11

Cabinet Member: Councillor Fleur de Rhe-Philippe, Finance,
Performance and Risk

Key Decision: No

Purpose of Report

1. To update Cabinet on the position of the Capital Programme as at 31 July 2010.

Background

2. Since the last Cabinet meeting the budget has been adjusted as follows;

	£m	Notes
2010-11 Capital budget (as per Cabinet 27 July 2010)	167.669	
Unactioned roll forward from 2009-10 on integrated transport	(0.006)	Related to approved overspend on the Petersfinger Park & Ride.
Budget adjustments awaiting Cabinet approval since Julys meeting (CFO Delegations)	2.162	Net budget adjustments as detailed in Appendix B of this report.
Additional Highways budget added after the 2010-11 budget setting process.	1.450	See explanation in paras 3 & 4 below.
Highway Grant cuts from central government to be managed in the programme.	(1.474)	Cut in central government grant as highlighted in July cabinet paper and as per cabinet member delegated decision.
Total Capital budget 2010-11	169.801	

3. When setting the Council's revenue budget for 2010-11, headroom was identified that allowed for additional spending on the highway network within the capital programme.
4. An allocation of £0.100m was added to the capital financing line of the revenue budget to provide for an additional £1.000m of borrowing in 2010-11 to fund additional highway repairs. A further £0.450m

allocation of revenue funds were also set aside in the capital financing line to allow for verge repairs within the capital programme. Both of these elements have now been included within the capital programme.

Summary of Current Position

5. The financial position of the 2010-11 capital budget is summarised below.

Department	Budget 2010-11 £m	Actual Spend as at 31 July 2010 £m	Projected Outturn £m	Full Year Projected Variance* £m
Children & Education	73.281	11.698	72.180	(1.101)
Resources	36.729	3.783	17.329	(19.400)
Neighbourhood & Planning	56.309	10.903	54.855	(1.454)
Community Services	3.483	0.195	2.534	(0.949)
Total	169.801	26.579	146.898	(22.904)

* Underspends are shown in brackets

6. A breakdown of the position of schemes within the capital programme can be seen in appendix A.
7. The variance on the full year projection is £22.904m, of which £22.709m relates to re-profiling of expenditure and £0.195m relates to identified net underspends. Both are reflected in Appendix A.
8. Initial monitoring on the Workplace Transformation Programme (WTP) has resulted in slippage of circa £19.400m into future financial years.
9. The 2010-11 budget for WTP had £17.400m relating to the County Hall refurbishment. The logistical complexities of decanting staff to the former George Ward School has meant the scale of work on the County Hall campus will not be able to progress as originally planned and it is estimated that only around £5.400m will be spent in this financial year, with the remaining £12.000m slipping into 2011/12.
10. An allocation of £10.400m in the 2010-11 WTP budget relates to the additional budget approved by Cabinet relating to operational estate. The £10.400m relates to the whole programme of work which will not be completed within the 2010-11 financial year. It is estimated that £3.000m will be spent in 2010-11, with the remaining £7.400m slipping into future financial years.

11. The revenue impact of the re-profiling of the WTP budget will be analysed and report through the next revenue budget monitoring report.

Central Government Grant Cuts

12. The £1.474 million confirmed cut in government grant for highways that was announced in June 2010 and has been reflected in this report and was also subject to a delegated member decision.
13. Since the last Cabinet meeting the government have announced further reductions in capital grant funding for local government in the current 2010-11 financial year; the impact of these cuts are summarised below.

Grant Description	Funding cut £m	Project affected in the capital programme
14-19 Diplomas & Special Educational needs	0.660	DCSF Targeted Capital 14-19 SEN
Youth Capital Fund	0.094	Youth Projects
Sure Start Children' Centre/ Childcare Quality and Access	2.055	Sure Start Early Years
Total	2.809	

14. A decision on how the cut in grant funding is dealt with in the capital programme needs to be made. There are three potential options available which are detailed below. Members should note however that officers have already taken steps to ensure reductions are achievable and where projects have not been started, in particular on Early Years, these schemes will not now proceed. These action plans have been put in place and agreed with the relevant boards.

- I.) Reduce the affected projects in the capital programme by the corresponding cut in funding from central government. This will reduce the overall spending on education schemes in 2010-11.
- II.) Retain the affected projects at the current level in the 2010-11 capital programme. This would mean a need to increase unsupported borrowing levels in 2010-11 to cover the loss in grant and would also attract ongoing annual revenue costs associated with borrowing. This option would keep spending on education schemes at planned levels in 2010-11.
- III.) Reprioritise schemes within the capital programme by reducing the budgets of other schemes to account for the cut in grant funding. This would also keep spending on education schemes at planned levels in 2010-11 but reduce the levels of other, as yet identified, budgets within the programme.

Proposed New Schemes

15. The waste team have highlighted a potential new scheme to be added to the programme. The scheme at Monument Hill involves the refurbishment of an entire reed bed used as part of a water treatment system, originally built in 1996. The system is designed to stop discharge into the watercourse, which would attract financial penalties from the Environment Agency. The work, estimated at £0.195m, should ensure the filtration systems continue to work for another 10-15 years.
16. Within the Waste Management budget of the 2010-11 capital programme, work is being undertaken at Warminster Household Recycling Centre (HRC). The scheme is projected to cost £0.195m less than originally anticipated, the variance is highlighted in Appendix A as an underspend.
17. As the scheme for Monument Hill has not been formally approved, Cabinet is requested to approve the use of the £0.195m underspend on Warminster HRC to fund the works at Monument Hill Reed Bed.
18. A further addition to the capital programme is a scheme to provide a new HRC at Marlborough. The capital cost of the HRC is estimated at £0.400m and the scheme is proposed to be funded from unsupported Borrowing in 2010-11.
19. To cover the revenue cost associated with the capital expenditure, the Department for Neighbourhood and Planning (DNP) will make an annual provision in their revenue budget of £0.040m which will be transferred to the capital financing line within the financial plan.
20. It is requested that Cabinet approve the scheme at Marlborough HRC and add it to the capital programme, under the condition that a £0.040m allowance be made annually in DNP revenue budgets to fund the costs of borrowing.

Main Considerations for the Council

- a) To note the current financial position of the 2010-11 Capital Budget.
- b) To note the budget changes in section 1 of Appendix B.
- c) To decide on how the cut in education funding from Central Government is dealt with in the 2010-11 capital programme through the 3 options identified.
- d) To approve the addition to the capital programme of schemes at Monument Hill Reed Bed and Marlborough HRC under the conditions set out in the report.

Environmental Impact of the Proposal

21. Wiltshire Council is preparing for its mandatory inclusion to the Carbon Reduction Commitment (CRC). The CRC is the UK's mandatory climate change and energy saving scheme, due to commence in April 2010. The objectives of the scheme are to improve energy efficiency and reduce carbon dioxide emissions. It's calculated that 79% of the Council's carbon footprint comes from energy use in buildings. Capital schemes therefore have the potential to greatly increase or decrease carbon emissions, for example schemes making council buildings more energy efficient will reduce the Council's carbon footprint.

Equality and Diversity Impact of the Proposal

22. No equality and diversity issues have been identified arising from this report

Risk Assessment

23. The capital budget for 2010-11 has a number of potential risks arising from cost overruns or lower than expected levels of capital receipts. Such issues will be highlighted as soon as they establish themselves through the monthly reporting process. Members may wish to bear in mind that the capital programme has been set for three years and therefore risks will be appraised over the whole period (2010-11 through to 2012-13).

Financial Implications

24. These have been examined and are contained within the report

Legal Implications

25. There are no legal implications arising from this report.

Matthew Tiller
Interim Chief Accountant (Acting Section 151 officer)

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Background Papers

Unpublished documents relied upon in the preparation of this report: NONE

Appendices

Appendix A - Capital Budget Monitoring Statement as at 31 July 2010

Appendix B - Chief Finance Officer - Exercise of Delegated Powers & Requests for Additional Resources Within The Capital Programme