

CABINET

13 JUNE 2013

SUBJECT	CAPITAL OUT-TURN 2012/13
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report details the Capital Out-turn for 2012/13 and the resources used to fund the programme. At the time of preparing the report, this remains as work-in-progress and any updates will be advised before the meeting

2.0 RECOMMENDATIONS

- 2.1 a) That the additional slippage of £4.6 million from 2012/13 to 2013/14 be agreed.
 b) That the financing of the programme for 2012/13 be agreed.
 c) That the application of the £2.5 million of capital receipts, to reduce future capital financing costs by £0.2 million per year and to release £0.9 million of previously used Capital Reserves to General Fund balances, be agreed.

3.0 BACKGROUND AND KEY ISSUES**MONITORING 2012/13**

- 3.1 Throughout the financial year Cabinet have received updates in respect of Capital Monitoring with these reports having been submitted monthly since September (when the Month 3 monitoring reports were considered).
- 3.2 The last monitoring report, for Month 11, was considered by Cabinet on 18 April 2013. Since then work has been on-going in order to finalise the accounts for the financial year. The timescales for completion mean that there could potentially be further changes until the meeting of the Cabinet and Members will be advised of any significant changes.

CAPITAL OUT-TURN

- 3.3 The capital spend for the year on the accruals basis amounted to £33.3 million compared to the Revised Programme of £37.2 million which was reported in the February (Period 11) monitor. This is summarised in Table 1.

Table 1 : Capital Programme 2012/13

Spend	Original Approval	Revised February	Actual Out-turn
	£000	£000	£000
Adult Social Services	2,750	100	80
Children & Young People	21,481	16,167	14,994
Finance	0	140	51
Law, HR and Asset Mgt	4,000	3,893	3,615
Regeneration	6,079	7,524	7,399
Technical Services	7,668	9,421	7,190
Total programme	41,978	37,245	33,329

- 3.4 Cabinet has previously approved slippage of £10.8 million which reflected the latest position for the Month 11 monitor. Further slippage of £4.6 million has occurred since then, with the most significant items (greater than £0.1 million) shown in the table.

Table 2 : Significant slippage identified since Month 11

Scheme	Slippage £000
Children & Young People	
Formula capital (managed by schools)	535
Condition/modernisation	428
Aiming Higher for Disabled Children	267
Private finance Initiative	127
SEN and disabilities	461
Youth capital schemes	160
Primary School programme (reduced slippage)	(550)
Law, HR and Asset Management	
Cultural Services assets	220
Wallasey Town Hall	810
Technical Services	
Highways maintenance	601
Accessibility	275
Air Quality	245
Street Lighting	229
Parks outdoor gyms	167
Road safety	103
	4,078

CAPITAL FINANCING

- 3.5 Table 3 details the resources used to finance the Capital Programme.

Table 3 : Capital Financing 2012/13

Resources	Original Approval	Revised February	Actual Out-turn
	£000	£000	£000
Borrowing	9,035	7,330	5,633
Grant - Education	20,181	14,559	14,336
Grant - Local Transport Plan	2,958	2,958	2,958
Grant - Sustainable Transport	0	676	461
Grant - Integrated Transport	1,155	1,160	1,160
Grant – Other	5,349	5,913	5,938
Revenue/Reserves	300	1,649	296
Capital Receipts	3,000	3,000	2,547
Total resources	41,978	37,245	33,329

CAPITAL RECEIPTS

- 3.6 The Capital Programme is reliant on the Council generating a limited amount of capital receipts to finance future schemes. Table 4 shows the movements in the Reserve during 2012/13 with £8.1 million held at 31 March 2013.

Table 4: Capital Receipts Reserve

	£ million
Balance as at 1 April 2012	9.2
Add : Receipts during the year	+1.4
Less : Used to reduce borrowing (MRP) costs (see 3.7)	-1.6
Less ; Used to release Earmarked Capital Reserves (see 3.9)	-0.9
Balance as at 31 March 2013	8.1

Use of receipts to reduce borrowing (Minimum Revenue Provision) costs

- 3.7 The use of capital receipts can have a direct impact on the cost of borrowing and the Minimum Revenue Provision (MRP). An analysis has been undertaken to determine those capital schemes that could be funded by receipts in order to save on borrowing costs. This involved assessing the asset lives appropriate to each capital scheme and allocating receipts accordingly. Table 5 shows the results from applying the different scenarios with the starting position being that no capital receipts are applied.

Table 5 : Comparison of use of receipts v MRP saving

Asset lives / funding period	Receipts applied	MRP cost	MRP saving
	£000	£000	£000
No change	0	1,000	0
1 year	687	325	675
10 years or less	1,407	232	668
19 years or less	1,600	222	678
24 years or less	1,642	220	680
Various	3,000	166	534

- 3.8 After 24 years there is only a marginal saving to be gained compared with a significant increase in the use of capital receipts. Consequently, £1.642 million of capital receipts were used in funding the Programme which delivers a saving on borrowing costs of £0.2 million per year from 2013/14.

Use of capital receipts to release Earmarked Capital Reserves

- 3.9 It was initially anticipated that £3 million of capital receipts would be used to fund the Programme. Given the fact that the most efficient use would be £1.642 million it was possible to use receipts to replace funding that was originally earmarked to be from revenue and reserves. This enables the reserves to be released to General Fund balances. An additional £0.905 million of receipts were applied which released a similar sum to General Fund balances.

4.0 RELEVANT RISKS

- 4.1 There are none associated with this report which provides a summary of the spend and financing of the capital programme in 2012/13. The Programme has been monitored throughout the year and has been the subject of monthly reports to Cabinet since Month 3.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 No other options were considered. There is a legal requirement to publish the capital spend and financing at the end of the financial year.

6.0 CONSULTATION

- 6.1 This is an end of year report. Consultation takes places as part of considering the capital programme and over the planning and implementation of the specific schemes within the programme.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising directly from this report. These would be considered when planning and implementing specific schemes within the programme.

8.0 RESOURCE IMPLICATIONS

8.1 The capital spend for the year on the accruals basis amounted to £33.3 million. This was funded from borrowing of £5.6 million, government grants of £24.9 million, reserves and revenue contributions of £0.3 million and useable capital receipts of £2.5 million.

8.2 The application of the £2.5 million of capital receipts of capital receipts reduces future capital financing costs by £0.2 million per year releases £0.9 million of previously used Capital Reserves to General Fund balances.

8.3 There are no staffing, IT or asset implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There is a legal requirement to publish a report on the capital spend and financing at the end of each financial year.

10.0 EQUALITIES IMPLICATIONS

10.1 There are no implications arising directly from this report which covers the overall programme and its funding for the financial year.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no implications arising directly from this report. These are included in reports to Cabinet on individual schemes and in the Carbon Budget report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 The Council is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2012/13 financial year.

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REFERENCE MATERIAL

Code Of Practice On Local Authority Accounting In The UK 2012/13 – CIPFA.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2011.

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Estimates 2012/13 (inc Capital Programme)	21 February 2012
Cabinet – Capital Out-turn 2011/12	21 June 2012
Cabinet – Capital Monitoring 2012/13	Monthly reports since September 2013