ABERDEEN CITY COUNCIL

COMMITTEE Finance & Resources

DATE 28 September 2010

DIRECTOR Gordon McIntosh and Stewart Carruth

TITLE OF REPORT Review of General Service Capital Programme

2010/11

REPORT NUMBER EPI/10/255

PURPOSE OF REPORT

The report advises of a review of this year's Capital Programme. It identifies that the revised total programme is now £108.5m, whilst the Head of Finance has confirmed that the Council has made revenue provision for capital expenditure of £69m. The report details possible courses of action to remedy the position. It outlines the consequences for future financial years.

RECOMMENDATIONS

The Committee is asked to agree that:-

- confirm the Capital Programme 2010/11 at £69m, and instruct the relevant officer to proactively manage spending to be within this spending limit through the Scrutiny Process detailed in the report; furthermore
- 2) the Corporate Asset Group is instructed to review the Capital Programme for 2011/12 onwards, ensuring that it links into the Priority Based Budget exercise, reporting to the next Committee meeting.

3. FINANCIAL IMPLICATIONS

The report details the current position with this year's Capital Programme, setting out steps to ensure that the programme is delivered within sustainable limits.

4. OTHER IMPLICATIONS

None

BACKGROUND/MAIN ISSUES

Capital Programme 2010/11

The CMT instructed the Corporate Asset Group (CAG) to review this year's Capital Programme. This was on the basis that the approved programme by Council in February 2010 of £95m was unsustainable in revenue terms, with the Head of Finance advising that a programme of £69m was the amount provided for in terms of revenue expenditure.

The CAG identified that there was up to an additional £13.5m "in the system", being Carry Forward from last financial year (i.e. the total programme could be £108.5m).

A detailed exercise was undertaken to determine the current level of expenditure this financial year. The view was taken that, in most cases, any Carry Forward had not been spent or legally committed by a Service that logistically it was no longer required. To date £65m would appear to either have been spent or legally committed.

Services were then asked to determine the levels of further expenditure that they desired to expend this financial year (both minimum and maximum) and to review how expenditure could be reprofiled into 2011/12. This determined that Services would wish to spend a minimum of a further £14m this financial year. On the basis of this spend profile approximately £29m would "move" into 2011/12.

CMT has instructed that the General Manager – Asset Management and the Senior Accountant (Capital & Treasury) meet monthly with all appropriate Service representatives to determine the actual and likely level of expenditure for each project to ensure that the Programme is brought back into a sustainable position; this being over and above the Scrutiny already agreed with the implementation if the Capital Planning Process instructed by this Committee on 28 January 2010. Furthermore this will help to quickly determine further slippage or additional expenditure demands.

The Heads of Finance and Asset Management & Operations are of the view that, with this new active supervision of the Capital Programme in place, a programme based upon a spend profile of £79m (i.e. £65m (spent/legally committed) plus £14m) is manageable, with an actual budget of £69m. It is recognised that there are risks associated with this, as there must be assumptions about the level of slippage (particularly in building/engineering projects). Furthermore such a course of action will mean delaying the completion of several major projects, albeit, as yet, there is no proposal to cancel any project.

The Heads of Finance and Asset Management & Operations reported the above to the CMT on 9 September, advising that there were two main options in relation to this year's Capital Programme:-

- 1) Stop all further expenditure that has not been legally committed i.e. cap the programme at £65m; or
- 2) Confirm a Capital Programme at £69m.

CMT advised that its recommendations to today's Committee was that the Capital Programme 2010/11 should be confirmed at £69m, with all appropriate measures put in place to ensure that the Programme remains within the revenue supported funding limits.

The current position with capital expenditure is detailed in the attached Appendix 1.

Capital Programme 2011/12

The Estimated Capital Budget for 2011/12 approved by the Finance and Resources Committee in February 2010 is £66.9m. If the proposals detailed above are accepted as much as £39m would be theoretically moved into the coming financial year. The Head of Finance has indicated that the Council, in Revenue terms, can only sustain a Programme at the original agreed level. Furthermore next year's Programme does not yet include any Projects identified as priorities from the Priority Based Budget exercise.

The CMT on 9 September also instructed the CAG to investigate "reprofiling" next year's Programme. This may mean that many of the projects already identified may not be deliverable, either within the envisaged timescale, or at all. Officers will therefore have to investigate other procurement solutions.

6. BACKGROUND PAPERS

None

REPORT AUTHOR DETAILS

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Appendix 1

	(Council	Adjustments			Actual	(Council Feb 10)
	Feb 10) Approved Budget 2010/2011	& Carry Forward from 2009/2010	Revised Budget 2010/2011	Minimum Required 2010/2011	Spend at Aug 2010 *	Estimated Budget 2011/2012
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	2 000	2 000	2 000	2 000	2 000	2 000
Corporate	12,720	850	13,570	8,403	1,546	4,204
Governance				·	·	·
Education, Culture and Sport	13,524	3,312	16,836	8,120	1,907	24,196
Enterprise, Planning and Infrastructure	56,234	2,735	58,969	51,116	12,017	28,975
Housing and Environment	12,174	4,817	16,991	11,791	4,476	9,352
Social Care and Wellbeing	2,108	0	2,108	545	0	200
Expenditure	96,760	11,714	108,474	79,975	19,946	66,927
Add: Prior Year Slippage (100%)	1,915	0	0	0	0	29,603
Expenditure	98,675	11,714	108,474	79,975	19,946	96,530
Less: Slippage	(29,603)	0	(39,402)	(10,273)	0	(28,959)
Expenditure	69,072	11,714	69,072	69,072	19,946	67,571
Capital Fund Projects	812	(277)	535	535	0	0
Total	69,884	11,437	69,607	69,607	19,946	67,571
Expenditure	00,004	77,407	00,007	00,001	10,040	07,071
Funding						
	10 221	0	10 221	10 221	10 221	10 221
Supported Borrowing	10,321		10,321	10,321	10,321	10,321
Un-supported Borrowing	35,325	0	35,325	35,325	2,803	15,896
General Capital Grant	13,286	42	13,328	13,328	5,553	13,286
Specific Capital Grant	365	0	365	365	0	0
Capital Receipts – Sales	2,775	0	2,775	2,775	958	19,215
Capital Receipts - Contributions	4,000	0	4,000	4,000	311	8,612
Capital Receipts - Sponsorship	3,000	0	3,000	3,000	0	0
Use of Capital Fund	812	(277)	535	535	0	0
Total Income	69,884	(235)	69,607	69,607	19,946	67,571
Projected Over/(Under) Spend	0	0	0	0	0	0