

ABERDEEN CITY COUNCIL

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| 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 |

1. 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.

2. RECOMMENDATIONS

The Committee is asked to agree that:-

- 1) 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

5. 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 of 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

7. REPORT AUTHOR DETAILS

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