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**Meeting:** Executive  
**Date:** 15 May 2012  
**Subject:** Capital Expenditure Slippage from 2011/12 to 2012/13  
**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

**Summary:** The report proposes the level of capital expenditure to be carried forward to 2012/13 on schemes included in the 2011/12 Capital Programme, which was approved in November 2011.

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**Advising Officer:** Charles Warboys, S151 Officer  
**Contact Officer:** John Hays, Head of Financial Control  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Council  
**Key Decision** No

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

The schemes included in the proposed capital slippage cover all of the Council's service areas and support delivery of all of the Council's priorities.

### **Financial:**

1. This report quantifies the financial underspend on the 2011/12 capital programme and proposes that it be carried forward to the 2012/13 financial year. There are significant financial impacts, particularly in the areas of budgeting, MRP and cash management arising from this proposal.
2. The financial implication of not allowing slippage on some or all of the uncompleted capital schemes is that significant amounts of expenditure currently accounted for as capital would have to be re-designated as revenue expenditure. This would materially change the 2011/12 financial outturn and delay the presentation of the draft accounts to the external auditors.

**Legal:**

3. There are contractual commitments involved in some of the schemes included in the overall slippage, which would need to be met if authorisation to slip the expenditure were not given.

**Risk Management:**

4. Some of the schemes included in the overall slippage involve the mitigation of existing or potential risks across the range of Council activities, which would not be achieved if authorisation to slip the expenditure were not given.
5. The following key risks have been identified:
  - a) failure to deliver the council's priorities;
  - b) financial risks, including a significant impact on the 2011/12 revenue outturn;
  - c) failure to discharge contractual commitments;
  - d) failure to maintain delivery of statutory services;
  - e) reputational risks associated with the above; and
  - f) failure to complete schemes in progress.

**Staffing (including Trades Unions):**

6. Not applicable.

**Equalities/Human Rights:**

7. All of the schemes included in the overall slippage received approval from the Executive on 15 November 2011. At this stage all Equalities/Human Rights issues were considered.

**Public Health:**

8. A number of the schemes facilitate the enhancement of public health and wellbeing, including Disabled Facilities Grant expenditure, contributing to the improvement of NHS provision and improving the sheltered housing stock.

**Community Safety:**

9. The Council has a statutory duty under Section 17 of the Crime and Disorder Act 1998 to do all that it reasonably can to reduce crime and disorder in exercising the functions of the Council. By ensuring that key capital projects contributing to the reduction of crime and disorder in our area are completed, the Council will fulfil its statutory duties.

**Sustainability:**

10. Not applicable.

**Procurement:**

11. Not applicable.

**Overview and Scrutiny:**

12. This matter has not been considered by Overview and Scrutiny.

## **RECOMMENDATIONS:**

### **The Executive is asked to:**

- 1. consider and comment on the proposal to transfer capital expenditure between the two financial years; and**
- 2. recommend that Council approves the proposal to transfer capital expenditure from 2011/12 to 2012/13.**

*Reason for Recommendation(s):* So that the proposal can be submitted to Council at the earliest possible opportunity in June, by which time the final figure will be available.

## **Executive Summary**

13. Anticipated expenditure on a number of schemes included in the capital programme approved by the Executive on 15 November 2011 has not been spent as anticipated within the financial year.
14. The current estimate of the net underspend on capital expenditure in 2011/12 is £10.3m, based on the February forecast. The final figure for the year will not be available until the end of May, and this will then be subject to audit.
15. It is proposed that the unspent element of budgeted capital expenditure on the schemes approved in November is carried forward to the 2012/13 financial year to allow these schemes to be completed.

## **Introduction**

16. A number of schemes included in the capital programme approved by the Executive on 15/11/2011 have either not been completed as anticipated within the financial year or were scheduled to run across financial years but the expenditure in 2011/12 differed from the approved budget.
17. The latest estimate of the net underspend on capital expenditure in 2011/12 is £10.3m, based on the February forecast. The final figure for the year will not be available until the end of May. This will then be subject to audit, although it is not anticipated that there will be any significant changes arising from the audit process.

## **Capital Position**

18. There are 44 capital schemes which are fully or partially funded by Central Bedfordshire Council (CBC) where expenditure is proposed to slip into 2012/13. The total slippage on these projects is gross expenditure of £16.6m, of which the net CBC contribution is £10.3m. A summary position by Directorate and Service Area is shown in table A below. The detailed position by scheme is attached at Appendix A.

19. Table A: Capital Schemes Fully or Partially Funded by CBC

|                     | Activity 2011/12 (Gross)     |                  |               |                          | Slippage to 2012/13 |                  |               |
|---------------------|------------------------------|------------------|---------------|--------------------------|---------------------|------------------|---------------|
|                     | Capital Programme (15/11/11) | 2011/12 Forecast | Variance      | CBC (Under) / Over Spend | Gross               | External funding | CBC Funding   |
| <b>Directorate</b>  | <b>£000</b>                  | <b>£000</b>      | <b>£000</b>   | <b>£000</b>              | <b>£000</b>         | <b>£000</b>      | <b>£000</b>   |
| SCHH                | 4,745                        | 3,430            | 1,315         | 0                        | 1,363               | 679              | 684           |
| Children's Services | 19,408                       | 14,551           | 4,857         | 0                        | 4,857               | 4,857            | 0             |
| Sus Comms           | 14,774                       | 8,494            | 6,280         | 36                       | 6,316               | 617              | 5,699         |
| Resources           | 5,857                        | 1,863            | 3,994         | 0                        | 3,994               | 132              | 3,862         |
| People              | 505                          | 417              | 88            | 0                        | 88                  | 0                | 88            |
| Corporate           | 0                            | 0                | 0             | 0                        | 0                   | 0                | 0             |
| <b>TOTAL</b>        | <b>45,622</b>                | <b>29,345</b>    | <b>16,277</b> | <b>36</b>                | <b>16,618</b>       | <b>6,285</b>     | <b>10,333</b> |

20. The gross slippage in Social Care, Health and Housing reflects a level of ring-fenced Disabled Facilities Grants funding from Department for Communities and Local Government increased since the November 2011 approval, and decreased external funding on two other schemes.
21. The gross slippage in Sustainable Communities reflects additional expenditure on the Dunstable Town Centre Regeneration scheme, authorised since the November 2011 approval, and a change in the residual commitments on the completed Playbuilder scheme.
22. There are 9 capital schemes which are fully funded by External Contributions where expenditure is proposed to slip into 2012/13. The gross slippage on these projects is £3.9m; CBC has contributed £156k to one of these projects in advance of receipt of external funding. A summary position by directorate and Service Area is shown in table B below. The detailed position by scheme is attached at Appendix B.

23. Table B: Capital Schemes Fully Funded by External Contributions

|                     | Activity 2011/12 (Gross)     |                  |              |                          | Slippage to 2012/13 |                  |              |
|---------------------|------------------------------|------------------|--------------|--------------------------|---------------------|------------------|--------------|
|                     | Capital Programme (15/11/11) | 2011/12 Forecast | Variance     | CBC (Under) / Over Spend | Gross               | External funding | CBC Funding  |
| Directorate         | £000                         | £000             | £000         | £000                     | £000                | £000             | £000         |
| SCHH                | 4,730                        | 2,431            | 2,299        | 0                        | 2,299               | 2,299            | 0            |
| Children's Services | 917                          | 84               | 833          | 0                        | 833                 | 833              | 0            |
| Sus Comms           | 744                          | 102              | 642          | 0                        | 642                 | 798              | (156)        |
| Resources           | 0                            | 0                | 0            | 0                        | 0                   | 0                | 0            |
| People              | 0                            | 0                | 0            | 0                        | 0                   | 0                | 0            |
| Corporate           | 86                           | 130              | (44)         | 0                        | 126                 | 126              | 0            |
| <b>TOTAL</b>        | <b>6,477</b>                 | <b>2,747</b>     | <b>3,730</b> | <b>0</b>                 | <b>3,900</b>        | <b>4,056</b>     | <b>(156)</b> |

24. £156k of expenditure on a strategic transport infrastructure project has been contributed by CBC prior to the receipt of external funding. As the funding is Growth Area Funding, claims are submitted in arrears after the calendar quarter.

### Background Information

25. There are a number of factors which have contributed to the slippage on capital schemes, including:
- delays in spend pending a comprehensive review of the capital programme in November 2011;
  - dependencies on third parties in approving grant and other applications;
  - extended consultation activity;
  - legal issues; and
  - extended procurement and tendering activity.
26. All of the schemes included in this report are included in the approved Capital Programme and work on most of them is in progress. To enable existing activity to continue and the schemes to be completed, it is proposed that the unspent £10.3m element of the capital budget is slipped to the new financial year.
27. If slippage of this Capital expenditure is not approved most of the £9.9m CBC expenditure already incurred on the uncompleted schemes could be unrecoverable and would be reclassified as Revenue expenditure.
28. Proposals are being developed to ensure rigorous monitoring of capital expenditure in 2012/13 that will lead to improved forecasting and early identification of potential slippage. This will enable consideration to be given to bringing forward other schemes within the capital programme to maintain the overall level of capital expenditure.

### Appendices:

Appendix A – Capital Schemes Fully or Partially Funded by CBC

Appendix B – Capital Schemes Fully Funded by External Contributions