

**CAPITAL BUDGET – QUARTER 3 SUMMARY FINANCIAL REPORT 2014/15  
(1 October 2014 to 31 December 2014)**

**EXECUTIVE MEMBER:** Councillor Gillian Troughton  
**LEAD OFFICER:** Angela George, Interim Finance Manager (S151 Officer)  
**REPORT AUTHOR:** Leanne Barwise - Senior Accounting Officer

**WHY HAS THIS REPORT COME TO THE EXECUTIVE?**

This report details the progress on delivering the projects in the agreed 2014/15 capital programme and provides the capital spend and estimated outturn forecast based on the financial position for the 9 month period to 31 December 2014.

**RECOMMENDATIONS:**

- I. Note the approved gross capital budget of £3,596,269, £1,162,649 of which is funded by external income to give a net current capital budget of £2,433,620.
- II. Note the total anticipated capital spend in the year to 31 March 2015 is £2,644,521 (compared to £2.86m at Q2) with forecast external income of £1,019,361 to give a net forecast of £1,625,160.
- III. Note the forecast year-end variance on the overall Capital Programme 2014/15 is a gross underspend of £952k at 31 December 2014. It is expected that the majority of this underspend will need to be carried forward to complete projects in 2015/16.
- IV. Note the position as at 31 December 2014 (Quarter 3) of capital receipts for 2014/15 as set out in paragraph 6.

**1. INTRODUCTION**

- 1.1. This report provides the monitoring of the capital programme 2014/15 both in terms of capital expenditure and capital income, ensuring that anticipated expenditure is in line with budget; and that the whole capital programme is fully funded, either from external contributions or through use of our own resources (i.e. capital receipts – receipts from the sale of assets).
- 1.2. This report provides the actual expenditure position to 31 December 2014 and an expected expenditure position for the next three months to give the total forecast outturn (final) position at the financial year-end.
- 1.3. The monitoring of the capital programme is undertaken and reported to CLT monthly and Executive on a quarterly basis.

**2. REVISIONS TO THE CAPITAL PROGRAMME 2014/15**

- 2.1. The original Capital programme for 2014/15 of £1,340,000 was approved by Council on 13 February 2014.
- 2.2. Since the original budget approval the budget carry forwards were approved at Council on 19 June 2014 to give a revised gross Capital Programme budget of £3,596,269.
- 2.3. A £22k addition to the capital programme (in excess of £3.6m budget reported above) was approved at Executive on 27 May 2014 relating to ventilation/extraction of exhaust fumes at the Moresby Depot

but is not at this stage reflected in the budget figures. An assessment at a cost of £3k to ascertain the impact of diesel engine exhaust emissions from vehicles parking within the Moresby Parks depot will be completed late January 2015. Should this assessment identify a need, the project would then be added to the Capital Programme to allow the installation of a suitable ventilation/extraction system at a further cost of £19k to manage the emissions.

### 3. EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

3.1 At quarter 3 the gross capital programme expenditure **budget** for 2014/15 is £3,596,269 as detailed above.

3.2 External capital income **budget** totals £1,162,649 and consisting of:

- £261,000 - Disabled Facilities Grants
- £96,947 – St Bees Play Area
- £400,000 – Whitehaven THI
- £401,702 – Copeland Pool
- £3,000 – Mount Pleasant

This gives a net capital programme **budget** of £2,433,620 as shown in Table A in Appendix A.

3.3 The forecast **expenditure** position at 31 December 2014 for financial year 2014/15 is gross capital expenditure of £2,644,521. Actual spend at quarter 3 amounts to £1,644,461 with £1,000,060 (38%) forecast to be spent in the next three months of the year.

3.4 The gross income budget is £1,162,649 but the actual income received as at 31 December 2014 for financial year 2014/15 is £486,795; £276k from DCLG towards the provision of Disabled Facilities Grants (£15k more than originally budgeted), £135k from Sport England in relation to the fitness extension at Copeland Pool, £45k in relation to the Whitehaven THI, £30k in relation to repayment of Disabled Facilities Grants from property sales and £1k for St Bees Play Area. The remaining external income of £533k forecasted for receipt in 2014/15 is expected to be claimed from the external funders within the financial year, subject to spending patterns on each project.

3.5 This results in forecast favourable variance against budget of £808,460 (Gross Expenditure variance - £951,748 + gross income variance £143,288 = £808,460) as detailed in Table A at Appendix A.

### 4. PROJECT UPDATES FROM PROJECT MANAGERS AS AT 31 DECEMBER 2014

4.1 Copeland Pool Fitness Extension – In year budget £665k –The new fitness extension at Copeland pool was officially opened on 4<sup>th</sup> December 2014 and except for external planting which will be addressed in the spring, the project is fully completed. The facility has 35 fitness stations, plus a TRX system - which is the only one within Copeland. To date the facility has attracted over 300 new members. Note: this cost centre holds expenditure for revenue works (in relation to the air handling unit at the pool) which will be transferred to revenue once the final invoice has been received.

4.2 Whitehaven THI – In year budget £650k - This project is progressing with the renovation of the former YMCA building and further interest from 3 other priority property owners. An application has been received to renovate one property in the Market Place and architects have been instructed for two other properties. A public realm scheme for the end of James Street has been drafted and final drawings are awaited. A lime taster day was held for students at Lakes College on the 19 November and a day for local residents to investigate the architectural history of the YMCA building was held on

the 12th November. Master classes in joinery and slate roofing are planned for the coming quarter. This five year programme is expected to be delivered on time and to budget.

- 4.3 Fleet Replacement – In year budget £94.6k – The Council owned kerbside recycling vehicle is now beyond its expected useful life and should have been replaced in the autumn 2014. £90k of this year's fleet replacement budget is to provide the replacement vehicle. However since the Council is now obliged to review its recycling service in light of new regulations requiring 4 different materials to be collected at the kerbside, it is anticipated the purchase of a recycling vehicle will not be completed in the current financial year. The assessment that needs to be carried out will form part of the wider Waste services service review. The review will determine how materials are collected for recycling in the future and the type of vehicle needed. The £90k budget has therefore shown as an under spend to be carried forward to 2015-16. The existing vehicle is in reasonable condition and is being regularly maintained to ensure it can continue to be used to deliver this key service to Copeland's residents for the near future.
- 4.4 Whitehaven Cemetery Extension – In year budget £250k - The revised project totalling to maximise space within the existing cemetery is due to commence and be completed by the year end. This relatively minor part of the project will create space for approximately 80 additional burials by removing existing pathways and installing a new access way to the area at an estimated cost of £15K. The more significant work to investigate the potential development of the woodland area, whilst underway is unlikely to lead to further spend in the current financial year and the remaining budget will need to be carried forward for 2015/16.
- 4.5 Millom Cemetery Extension – In year budget £143k - The project is currently delayed pending completion of legal agreement on the shared access with the church and the land purchase from Millom Town Council. Legal colleagues are aiming to complete the outstanding work by end January 2015. Unfortunately the delay is likely to lead to increased construction costs as the original quote was only valid until December 2014. A revised quote has been requested however construction work is not likely to start until spring 2015 and therefore it is requested that all remaining budget to be carried forward to 2015/16.
- 4.6 Empty Properties – In year budget £79k - The remainder of the funding will be spent by the end of this financial year, 13 units of accommodation will have been provided using the funding, all will be available to let to residents of Copeland.

## 5. HOUSING SERVICES – Disabled Facilities Grant's (DFG's)

- 5.1 Housing Services this year have a total **budget** of £757,337 inclusive of £157,337 carried forward from 2013/14 to fund commitments made in that year leaving £600,000 available to commit in the current year. It is *currently* anticipated that the level of commitments will be in line with budget this financial year. Members are asked to note that the current position is subject to change as it is impossible to predict with certainty the number or value of referrals that may be received before the financial year end.
- 5.2 Of the £757,337 budget, forecast **spend** in year is approximately £587,000. The remaining £170,000 unspent budget is forecast to be carried forward into 2015/16 to meet commitments approved this year.
- 5.3 Copeland has received 123 new referrals for Disabled Facilities Grants applications since April 2014 for the installation of stair lifts, bathroom alterations, access into properties and ground floor extensions. 94% of the applications received have been eligible for grant with no contribution required from the property owner.

- 5.4 Members are asked to note that DFG's are not an annual programme. They are a responsive statutory duty that rolls over year on year to qualifying people who are referred from Occupational Therapy at any time, as and when their need arises. The majority of spend occurs at end of each individual project so spend subsequently follows the date the commitment was granted. This will necessitate some of the funding to be carried forward into 15/16 to complete projects commenced in year as stated in 5.2 above.
- 5.5 Income from DCLG was budgeted at £261,000 being the best estimate at the time the budget was set. We have, however, received £276,312 which is £15,312 in excess of the original budget. This will reduce the need to call on our own funding from the Useable Capital Receipts Reserve by the same amount of £15,312.
- 5.6 The details of anticipated spend is illustrated in Table 1 below, with the commitments continuing to be reviewed by Housing and Finance staff regularly:

**Table 1 – Housing DFG Budget and Spend 2014/15**

<b>Housing Budget &amp; Spend 2014/15</b>	<b>£</b>	<b>£</b>
<b>FORECAST POSITION as at Quarter 3</b>		
<b><u>EXPENDITURE BUDGET</u></b>		
Budget brought forward from 2013/14	157,337	
New budget 2014/15	600,000	
<b>Total budget 2014/15</b>		<b>757,337</b>
<b><u>FUNDING OF EXPENDITURE BUDGET</u></b>		
UCRR (Reduced by £15,312 add. income see below)	(481,025)	
External income from DCLG (as per budget)	(261,000)	
Additional external income from DCLG (not budgeted)	(15,312)	
<b>Total funding of expenditure budget</b>		<b>(757,337)</b>
<b><u>FORECAST EXPENDITURE 2014/15</u></b>		
Actual paid to date	471,146	
Forecast Spend to March 2015	116,253	
<b>Total Expenditure 2014/15</b>		<b>587,399</b>
<b><u>FUNDING OF FORECAST EXPENDITURE</u></b>		
External income from DCLG		(261,000)
Additional income from DCLG		(15,312)
Useable Capital Receipts Reserve		(311,087)
<b>Total funding of Expenditure</b>		<b>(587,399)</b>
<b>Budget Forecast Underspend</b>		<b>(169,938)</b>
<b>Underspend useage:</b>		
Comittments made 2014/15 to be carried forward & paid in 2015/16		169,938
To be returned to the Housing Reserve for future Disabled Facilities Grant awards		0
		<b>169,938</b>

## 6. CAPITAL RECEIPTS

- 6.1 The initial forecast capital receipts for 2014/15 was estimated at £351k but this has since been revised to receipts of approximately £595k.
- a. Of the revised forecast capital receipts of £595k above, actual disposal proceeds received at Quarter 3, (31 December 2014) amounted to £239k.

- b. Of the remaining £356k anticipated receipts (£595k estimated above less £239k already received) - £328k relates to the former Kells School Plots and the Legal Services Manager is continuing to progress these sales to realise the outstanding capital receipts. However, it should be noted that there is a very likely possibility that these receipts may not be received this financial year, as some are dependent upon a number of key decisions to be made by external parties; and so the actual timing of the receipt is beyond our control. The remaining £28k relates to ad-hoc sales of land and property which are currently still anticipated to be sold within year.
- c. The timing and value of capital receipts is imperative to enable the Authority to realise sufficient capital receipts and provide adequate funding of the future Capital Programme. **It should be noted that if no further VAT Share receipts or Capital receipts are realised; we will have sufficient funding for the current programme and the proposed 2015/16 capital programme, but would be unable to fund any further capital programmes from our own resources.**

## 7. FINANCING

- 7.1 Table 2 below shows how the current 2014/15 Capital Programme will be funded. It is important that the funding of the Capital Programme is fully understood and can be demonstrated in particular the identification of external resources to support capital expenditure. This will contribute to improving the quality of the Financial Accounts, and on-going budget management.
- 7.2 The current forecast 2014/15 capital programme expenditure of £2,644,521 is planned to be financed as follows:

**Table 2: Financing of the 2014/15 Capital Programme**

<b>Funded by:</b>	<b>Forecast funding based on current forecast capital receipt</b>
Useable Capital Receipts – General Capital Receipts	1,235,227
Useable Capital Receipts – Housing Capital Receipts (DFG & Empty Properties)	389,656
Other reserves & contributions	277
<b>TOTAL INTERNAL FUNDING FROM THE UCRR</b>	<b>1,625,160</b>
External Funding	*1,019,361
<b>TOTAL INTERNAL &amp; EXTERNAL FINANCING</b>	<b>2,644,521</b>

\* Please see paragraph 3.2 for the make-up of the external funding

- 7.3 The impact of forecast capital programme spending 2014/15 and actual capital receipts received to end of December 2014 would leave a balance of approximately £2.4m in the Useable Capital Receipts reserve as at 31 March 2015 made up of £1.3m in the General Capital Receipts, £0.9m in Housing Capital Receipts and £0.2m in Land Management reserve. This is also shown in Table B at Appendix A.

## 8. CONCLUSION

- 8.1 It is identified that there remains a strong risk that we may not realise all of the forecast capital receipts this financial year as they are dependent upon circumstances outside the Authorities control. This will be continually reviewed and Members updated accordingly.
- 8.2 Although the authority has sufficient funding for both the current programme and the proposed 2015/16 capital programme (to be presented to Executive in February 2015), it should be noted that if no further capital receipts or VAT share receipts are realised then there would be insufficient reserves to fund any future capital programmes beyond those to be approved in the next programme.

8.3 The capital programme will continue to be robustly monitored over the coming months with the next report to be presented to Executive detailing the Outturn position at the financial year end.

## **9 STATUTORY OFFICER COMMENTS**

9.1 The Monitoring Officer's comments are:

9.2 The Section 151 Officer's comments are: Included within this report

9.3 EIA Comments: Details are in accordance with the approved capital strategy and programme approved by Council.

9.4 Policy Framework:

9.5 Other consultee comments, if any: None

## **10 RESOURCE REQUIREMENTS**

10.1 It is imperative that all budgets are monitored monthly with exceptions reported through Corporate Leadership Team and Executive so that management action can be taken to ensure the effective use of resources as planned by the Council.

10.2 The budget monitoring process is fully integrated into the planning process to ensure that Council objectives and priorities as outlined in the Corporate Plan are fully resourced as planned.

## **11 HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

11.1 The capital programme will continue to be monitored monthly with the next report to Executive at Outturn. The budget monitoring process continues to be refined to provide members and officers with the up-to-date financial information needed to make key decisions on resource allocations during the year to feed into the Council's budget process.

11.2 The capital programme assumes funding from the sale of assets. Generation of capital receipts presents risks in terms of the timing and value of receipt.

### **List of Appendices:**

Appendix A – Capital Financial Tables at Quarter 3

Appendix B – Capital Budget Monitoring Report from Total

## Appendix A

**Table A: Spend & external income receipt to date and forecast for year as at 31 December 2014**

	Gross budget	Spend/Income to date	Forecast periods 10-12	Total gross forecast	Variance
2014/15 Expenditure	3,596,269	1,644,461	1,000,060	2,644,521	-951,748
2014/15 External Income	-1,162,649	-486,795	-532,566	-1,019,361	143,288
<b>TOTAL (Net)</b>	<b>2,433,620</b>	<b>1,157,666</b>	<b>467,494</b>	<b>1,625,160</b>	<b>-808,460</b>

**Table B: Impact of forecast capital programme spending and actual capital receipts in 2014/15 on the Useable Capital Receipts Reserve**

USABLE CAPITAL RECEIPTS	General Capital Receipts Reserve £	Housing Capital Receipt Reserve £	Land Management £	TOTAL £
<b>Opening balance</b> per audited accounts:	-2,164,925	-1,258,075	-200,000	<b>-3,623,000</b>
Forecast draw down to fund 14/15 capital programme	1,235,227	389,656	0	<b>1,624,883</b>
VAT sharing receipts to date	-163,070	0	0	<b>-163,070</b>
Actual Capital Receipts to date	-238,645	0	0	<b>-238,645</b>
Forecast useable Capital Receipts <b>closing balance</b>	<b>-1,331,413</b>	<b>-868,419</b>	<b>-200,000</b>	<b>-2,399,832</b>

\*Note: The VAT Share receipts & Capital Receipts are shown as **actual** received at Q3. The year end **forecast** capital receipts for VAT Share is £305k and £595k for capital receipts. If both full forecast receipts are received, the balance on the General Capital Receipts Reserve would be £1.83m at year end (not £1.33m) resulting in a total reserves balance of £2.90m (not £2.4m).

**Table C: Financing of the 2014/15 Capital Programme**

	Budget £	Actual £	Total Forecast £
<b>TOTAL FINANCING OF CAPITAL PROGRAMME 2014/15</b>	<b>3,596,269</b>	<b>1,644,461</b>	<b>2,644,521</b>
<b>Funded By:</b>			
Useable Capital Receipts	-1,858,714	-991,919	-1,235,227
Housing Capital Receipts Reserve	-574,906	-165,470	-389,656
Other Reserves and Contributions	0	-277	-277
<b>TOTAL INTERNAL FUNDING</b>	<b>-2,433,620</b>	<b>-1,157,666</b>	<b>-1,625,160</b>
External Funding	-1,162,649	-486,795	-1,019,361
<b>TOTAL FINANCING INCL EXTERNAL INCOME</b>	<b>-3,596,269</b>	<b>-1,644,461</b>	<b>-2,644,521</b>



## APPENDIX B - CAPITAL MONITORING REPORT TO 31 DECEMBER 2014 - QUARTER 3

Cost Centre	Project Description	Current Approved Budget 14/15	Current Net Expenditure	Revised Projection	Revised forecast Y/E Variance	Notes
07601	Housing DFG Grants	757,337	471,146	587,399	- 169,938	Rolling DFG programme - carry forward required
07084	Fitness Extension - Copeland Pool	664,702	743,452	664,702	-	Completed to budget (excess revenue spend to be moved)
07817	Whitehaven THI	650,000	122,401	311,578	- 338,422	Ongoing project over next 3 financial years - carry forward
07823	Accommodation Strategy	400,000	-	400,000	-	Closely linked with ICT and Customer Service Strategy
07824	Whitehaven Cemetery Extension	250,000	-	50,000	- 200,000	Carry forward required
07821	I.C.T.	186,757	94,731	186,757	-	Closely linked with Accommodation Strategy
07058	Millom Cemetery Land Purchase	143,126	5,134	21,126	- 122,000	Carry forward required
07112	Customer Service Strategy	142,041	-	142,041	-	Closely linked with Accommodation Strategy
07057	St Bees Foreshore Play Area	136,947	131,567	132,829	- 4,118	Project complete, potential return to reserves
07815	Fleet Replacement	94,600	3,149	4,600	- 90,000	Carry forward £90k required
07825	Empty Homes - bringing back into use	78,569	13,958	78,569	-	Full spend expected prior to year end
07120	Operational Building - Beacon Lift Installation	46,385	39,982	43,182	- 3,203	Project complete, potential return to reserves
07814	Valuation Data Transfer	20,000	-	-	- 20,000	Potential return to reserves
07285	Rottington Beck	14,734	14,761	14,761	27	Project complete
07120	Operational Building - Moresby Splitting Services	4,421	3,727	3,727	- 694	Project complete
07120	Operational Building - Other	3,650	-	-	- 3,650	Potential underspend
07046	Mount Pleasant Park, Whitehaven	3,000	-	3,000	-	To be spent on planting at Mount Pleasant
07037	Regeneration Software	-	250	250	250	Project complete - to be funded from revenue
07066	Data Capture	-	202	-	-	Project complete - costs coded incorrectly to be moved

<b>Expenditure</b>	<b>3,596,269</b>	<b>1,644,461</b>	<b>2,644,521</b>	<b>- 951,748</b>
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