

CAPITAL BUDGET – QUARTER 3 SUMMARY FINANCIAL REPORT 2013/14 (1 April 2013 to 31 December 2013)

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WHY HAS THIS REPORT COME TO THE EXECUTIVE?

This report details the progress on delivering the projects in the agreed 2013/14 capital programme and provides the capital spend and estimated outturn forecast based on the financial position for the 9 month period to 31 December 2013.

RECOMMENDATIONS:

- I. Note the approved gross capital budget of £3,872,464, £1,902,514 of which is funded by external income to give a net current capital budget of £1,969,950.
- II. Note the position as at 31 December 2013 (Quarter 3) of capital receipts for 2013/14 as set out in this report (See paragraph 5).
- III. Note the forecast year-end variance on the overall Capital Programme 2013/14 is a gross under spend of £2,431,960 at 31 December 2013. This will result in a £1,345,486 underspend in external income to give a total net variance of £1,086,474. The majority of this underspend is expected to be carried forward to complete projects in 2014/15.
- IV. Note the total anticipated capital spend in the next three months to 31 March 2014 is £881,122 depending on variables as detailed in paragraph 3.5.

1. INTRODUCTION

- 1.1. This report provides the monitoring of the capital programme 2013/14 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 2013 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 2013/14

- 2.1. The original Capital programme for 2013/14 funded by a gross Capital Programme budget of £1,599,524 was approved by Council on 21 February 2013.

- 2.2. Since the budget approval a number of adjustments have been approved to give a revised gross Capital Programme budget of £3,872,464 at 31 December 2013. The reasons for these amendments have been summarised for information at table A in Appendix A.
- 2.3. Another two variations to the Capital budget have been approved since quarter two but are not reflected in these figures:
- An additional £15k for the beacon lift replacement due to inflated costs to do the work since the budget was approved in the Q2 report at Executive on 19 November 2013;
 - An additional £35k in relation to the splitting of services at our Moresby site at Executive on 17 December 2013.
- These two adjustments have been adjusted to show for next period and will bring the revised Capital Programme 2013/14 budget to £3,922,464.

3. EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

- 3.1 At quarter 3 the gross capital programme expenditure budget for 2013/14 is £3,872,464 as detailed above and in Table B at Appendix A.
- 3.2 External capital income budget totals £1,902,514 consisting of:
- £265,717 - Disabled Facilities Grants
 - £39,747 - Moor Row Play Area
 - £90,250 – St Bees Play Area
 - £1,053,800 – Whitehaven THI
 - £450,000 – Copeland Pool
 - £3,000 – Mount Pleasant

This gives a net capital programme budget of £1,969,950.

- 3.3 Members should note that the external income figures shown above include those that have been approved by the external body as at quarter 3, any additional external funding will be added to the capital programme upon receipt of confirmation from the grant funder.
- 3.4 It should also be noted that depending on spending patterns and grant conditions for reclaiming external funding, all external capital income usage quoted above is estimated and may be reclaimed in future financial years, as opposed to during 13/14. Therefore it may be necessary to use our own approved resources prior to the approved external income being accessed. This is purely in relation to the conditions of the grant which is standard with external income and although claims will continually be processed there may be a period of time which the authority will bankroll the expenditure.
- 3.5 The forecast expenditure position at 31 December 2013 for financial year 2013/14 is gross capital expenditure of £1,440,504. Actual spend at quarter 3 amounts to £559,382 with an additional £881,122 (61%) forecast to be spent in the next three months of the year. For some projects (ie Disabled Facilities Grants, Beacon Lift, Moresby Generator and St Bees Play area) it could potentially be feasible that the £356k that is forecast to be spent prior to the year end, will be. But a number of other projects forecasting a further £525k of spend prior to year end will be dependent on numerous conditions – please refer to paragraph 4 for individual project details.
- 3.6 The gross income budget is £1,902,514 but the forecast income usage position at 31 December 2013 for financial year 2013/14 is £557,028 consisting of £265,717 towards the provision of Disabled Facilities Grants, £30,251 in relation to Moor Row Play Area, £90,250 for St Bees Play Area, £3,000 Mount Pleasant, £150,000 Copeland Pool Extension and £17,810 Whitehaven THI.

- 3.7 This results in forecast net expenditure of £883,476 to give a favourable variance against budget of £1,086,474 as detailed in table B at Appendix A.

4. PROGRESS AT 31 December 2013 (Quarter 3)

- 4.1 **Whitehaven THI – Total budget £1,353,900 (CBC Budget £250,000 plus £1,103,900 externally funded)**
This is a 5 year project funded by Copeland (£250,000) and external funding secured from BEC (£394,600), HLF (£659,300) & agreed in principal with Cumbria County Council (£50,000 – yet to be formally approved and so not yet added to capital programme). A THI Officer is now in post. This project is forecast to spend £19k in the next three months.
- 4.2 **Millom Cemetery Land Purchase – Total Budget £149,216 funded by CBC**
Ground water assessment has been completed and signed off by the Environment Agency, as have the principles of an access arrangement with the Church authorities. The project is currently awaiting planning approval which is anticipated at the Planning Panel meeting in March 2014, therefore all remaining budget will now need carried forward to implement the scheme subject to planning approval in 2014/15. This project is forecast to spend £15k in the next three months.
- 4.3 **ICT – Total CBC Budget £200,000**
This project is part of the implementation of the Change Programme Plan which was introduced by the Change Programme Board. The Plan is designed and released in phases and thus the capital project has been profiled in accordance with these plans. Phase One of the capital project is to put additional, more up to date, reliable and more energy efficient data storage solutions in place to assist our business continuity arrangements. The current anticipated spend of £35k to the year-end relates to storage solutions and an enhanced remote security tool and phase 2 mobile working capacity and capability. The remainder will be requested to be carried forward to complete the project in 2014/15, which will be tied in closely with the Councils accommodation strategy for offices.
- 4.4 **Customer Access Strategy – Total CBC Budget £142,041**
This project has already seen the provision of a small reception in the Crematorium and will also remodel the reception/customer meeting room areas in the Copeland Centre and implement self-service technology. Draft designs for the remodelling of the Copeland Centre reception and customer areas were approved in July by CLT. These designs have been signed off and a project manager appointed. Work across the project team is on-going to ensure that the design can fit with the reception space and then a tendering exercise will then be completed. This project is forecast to spend £67k in the next three months.
- 4.5 **Operational Buildings – Total CBC Budget £106,500**
The funding was requested to cover the cost of the following:-
St Bees Foreshore Car Park Resurfacing (£6,500) – The resurfacing part of the car park at St Bees foreshore was completed under budget with £330 to be returned to reserves. The new surface is expected to have a 15 year lifespan.
Beacon lift Replacement (£50,000) – Full replacement of the 18 year old lift at an estimated cost of £50,000 (plus an additional £15k approved at Executive). The project schedule has been sent out requesting quotations with the expectation that a contractor be nominated in December and work to commence in February 2014 - during the Beacon close down period. This project is forecast to spend the full budget in the next three months.
Moresby Depot Generator (£50,000) – Installation of a generator to provide power to the key operational site in the event of a power failure at a cost of £50k. Work is expected to commence in January 2014 having been delayed due to workload pressures in the Property Department. This project is forecast to spend the full budget in the next three months.

4.6 Rottington Beck – Total CBC Budget £45,637

The final inspection of the channel revealed some outstanding issues which will need to be addressed before the contract retention can be paid. The contract for the scour apron has been awarded but we are currently awaiting Flood Defence consent before works can commence. This project is forecast to spend £15k in the next three months.

4.7 Regeneration Software – Total CBC Budget £40,912

The implementation of a resilient and effective archive/data storage system to support the existing system with the necessary data security. To date, £20K has been spent on a server box, improvements to hardware in Development Control (graphics cards and monitors) and software required to link the Council's servers to Resolution Data Management Ltd, who will be scanning incoming planning applications and returning them via the link. The remainder of the budget is committed to a number of further service improvements including the capture of archived planning applications, setting up an online electronic payment facility for planning and building control applications, and virtualisation of our servers to improve business continuity. This project is forecast to spend £25k in the next three months.

4.8 St Bees Playground – Total Budget £130,250 – (CBC Budget £40,000 plus £90,250 externally funded)

The £40k awarded by the authority to renovate St Bees Play Area is now being used by St Bees Parish Council as match funding to secure other grant funding. So far additional grant funding of £30,250 has been approved from Copeland Community fund and £60k from WREN. This brings the total budget on the project of £130k with Copeland being the accountable body. The preferred contractor has been awarded the tender to carry out the works and the planning application was approved in January 2014. Work on the drainage of the site is to commence as soon as possible and once the formal offer letters have been received from the grant funders, an order for the play equipment will be placed followed up with a site visit with the contractor to discuss specific requirements. This project is forecast to spend £90k in the next three months.

4.9 Moor Row Play Area – Total Budget £39,747 (100% externally funded)

Moor Row Play area has been successfully renovated, improving 1130m² of open space that the whole community can enjoy at no monetary cost to the authority as the scheme was 100% funded through external grants, however the Council acted as accountable body for the project. The works were carried out under budget which meant less funding has been claimed from the external bodies. The long term maintenance costs for the authority will also be reduced as the Moor Row Community Group has raised funds to cover these type of costs.

4.10 Fleet Replacement – Total CBC Budget £23,000

An order was placed for the 3.5 tonne tipper vehicle in August and while the original expected delivery was mid-December there have been delays in manufacturing and in getting technical approvals meaning delivery is now likely to be end of February. Spend for 2013-14 is therefore anticipated on only one month's lease charges. This project is forecast to spend £0.5k in the next three months.

4.11 Valuation Data Transfer – Total CBC Budget £20,000

A PID detailing the proposed data transfer of the current spread sheet based property management system onto Cumbria County Councils computerised system was presented and approved at Executive on 22 October 2013. By joining with Cumbria County Council we don't have an initial capital outlay as Cumbria County Council do not wish to claw back any other set up costs of the system. Issues with the service provider has delayed the start of this project and it is now anticipated that the final implementation will roll over into the next financial year. However, it is still expected that a small portion of the capital budget will be spent in this financial year as the initial data checking is now complete and a minimal amount of work remains to finalise matters to allow the data to be uploaded.

4.12 Copeland Pool Fitness Extension – Total Budget £713,000, (CBC Budget £263,000 plus £450,000 externally funded)

The Copeland Pool extension was approved at Council 12th September 2013 with Copeland acting as project lead and accountable body to improve one of our assets. The Council has appointed a Quantity Surveyor and a full tender process has been completed. Work on site is anticipated to commence in February 2014 and be fully complete by June 2014 and so a carry forward of the remaining budget will be necessary at the year end. This project is forecast to spend £300k in the next three months.

4.13 Land Management – Total CBC Budget £175,000

This funding was allocated to provide resources to deal with any capital expenditure related to our land assets. A monitoring programme ensures our land assets are carefully examined.

HOUSING SERVICES

4.14 There has been an increase in the number of referrals from occupational therapists from last year. We have approved 69 new disabled facilities grants (DFG's) since April 2013 compared to 52 in the same period last year.

4.15 Housing Services this year have a total budget of £754,090. Of this, £154,090 was carried forward from 2012/13 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.

4.16 Of the estimated total forecast **commitment** of £600,000 forecast **spend** in year is approximately £588,000. The remaining £166,000 budget is forecast to be carried forward into 2014/15 to meet commitments approved and commenced in 2013/14.

4.17 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 14/15 to complete projects commenced in year as stated in 4.16 above.

4.18 From 2015 money for DFG's is to be transferred from DCLG to the Department of Health and will be included in the new Integration Transformation Fund. It is unclear at present how this will be distributed among local authorities, this will be the subject of a report to Executive at a later date as further information becomes available.

4.19 The details of spend and commitment is illustrated in table 1 overleaf, with the commitments continuing to be reviewed by Housing and Finance staff on a monthly basis:

Table 1: Housing budget and spend as at 31 December 2013

Housing Budget & Spend 2013/14	£	£
PERIOD 9 - QUARTER 3		
<u>EXPENDITURE BUDGET</u>		
Budget brought forward from 2012/13	154,090	
New budget 2013/14	600,000	
Total budget 2013/14		754,090
<u>FUNDING OF EXPENDITURE BUDGET</u>		
UCRR	- 488,373	
External income from DCLG (as per budget)	- 265,717	
Total funding of expenditure budget	-	754,090
<u>SPEND</u>		
Actual paid at Period 9	392,474	
Forecast spend to March 2014	196,013	
Total expected spend 2013/14		588,487
<u>FUNDING OF EXPECTED SPEND</u>		
External income from DCLG	-	265,717
Useable Capital Receipts Reserve	-	322,770
Total funding of expected spend	-	588,487
TOTAL FORECAST CARRY FORWARD TO 14/15 TO MEET COMMITMENTS APPROVED 13/14		165,603

5. CAPITAL RECEIPTS

- 5.1 The initial forecast capital receipts for 2013/14 was estimated at £515.5k but this has since been revised to receipts of approximately £672k.
- 5.2 Of the revised forecast capital receipts of £672k above, actual disposal proceeds received at Quarter 3, (31 December 2013) amount to £262k.
- 5.3 Of the £410k anticipated receipts (£672k estimate above less £262k already received) - £224k relates to the former Kells School Plots and the Legal Services Manager is actively progressing these sales. Additional receipts totalling £132k are very likely to complete with the remaining forecast receipts of £54k being identified to be sold this year. However, it should be noted that these may slip into the next financial year and not be realised this year.
- 5.4 Current forecast spend at 31 December 2013 is £1,440,504 which is £768k in excess of receipts from the sale of assets expected in year.
- 5.5 It is imperative that the Authority realises sufficient capital receipts to enable adequate funding of the future Capital Programme.

6. FINANCING

- 6.1 Table 2 below shows how the current 2013/14 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.

- 6.2 The current forecast 2013/14 capital programme expenditure of £1,440,504 is planned to be financed as follows:

Table 2: Financing of the 2013/14 Capital Programme

Funded by:	Forecast funding based on current forecast capital receipt
Useable Capital Receipts – General Capital Receipts	593,706
Useable Capital Receipts – Housing Capital Receipts	292,770
TOTAL INTERNAL FUNDING FROM THE UCRR	886,476
External Funding	554,028*
TOTAL INTERNAL & EXTERNAL FINANCING	1,440,504

* Please see paragraph 3.6 for the make-up of the external funding and 3.4 for details

- 6.3 The impact of forecast capital programme spending and capital receipts in 2013/14 would leave balances of approximately £2.2m in the General Capital Receipts and £1m in Housing Capital Receipts. After funding the current estimated carry forwards the balances on these accounts are anticipated to be £1.5m and £0.89m respectively available for new capital bids. This is also demonstrated in Table C at Appendix A.
- 6.4 New capital bids for the 2014/15 have been presented as part of the Capital Programme 2014/15+ Report to Executive on 9 January and has returned again to this Executive for recommendation to Council on 27 February 2014.

7. CONCLUSION

- 7.1 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.
- 7.2 The capital programme will continue to be robustly monitored over the coming months with the next report to be presented to Executive detailing the updated position at outturn.

8. STATUTORY OFFICER COMMENTS

- 8.1 The Monitoring Officer's comments are: No further comment
- 8.2 The Section 151 Officer's comments are: Included within the report
- 8.3 EIA Comments: Capital projects are an important way in which the Council seeks to promote equality and tackle inequality. This is particularly evident within the discharge of our statutory duty regarding DFGs and our work to promote access to services.
- 8.4 Policy Framework: The capital programme forms an integral of the Council's corporate policy framework.
- 8.5 Other consultee comments, if any: None

9. RESOURCE REQUIREMENTS

- 9.1 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.
- 9.2 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.

10. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 10.1 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.
- 10.2 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. The Development Surveyor and Financial Management and Treasury Accountant meet quarterly and review asset sales. Additionally, the Legal Services Manager and the Estates and Valuations Manager are actively progressing sales to generate the required capital receipt prior to the financial year end.

List of Appendices:

Appendix A – Capital Financial Tables at Quarter 3

Appendix B – Capital Budget Monitoring Report from Total

Appendix A

Table A

CAPITAL PROGRAMME BUDGET 2013/14			
	£	£	CUMULATIVE
Original Budget approved at Council 21/02/13		1,599,524	1,599,524
Approved amendments to budget:			
Addition: Approved at Q3 12/13 Capital Report P10 EXE 12/03/13 - £12k from eventual sale of Kells Plots for Kells Drainage	12,000		1,611,524
Addition: Approved at Outturn 12/13 EXE 28/05/13 - Slippage from 2012/13	639,845		2,251,369
Addition: Approved at Outturn 12/13 EXE 28/05/13 - £27,452 to re-instate Millom Cemetery from £121,764 to £149,216	27,452		2,278,821
Addition: Approved External Funding St Bees Play in addition to £40k CBC EXE 18/12/12 - £30,250 CCF, £60k WREN, £5k St Bees Group & £3k additional St Bees Group	89,367		2,368,188
Addition: Approved THI External Funding in addition to CBC £250k EXE 28/05/13 - £394.6k BEC, £659.2k HLF	1,053,800		3,421,988
Addition: Approval for Copeland Pool: receipt and spend of match funding to CBC £263k Capital EXE 12/09/13 £150k Sport England, £300k CCF	450,476		3,872,464
Current Budget		3,872,464	

Table B: Spend & external income receipt to date and forecast for year as at 31 December 2013

Table 1: Spend to date and Forecast for year as at			PERIOD 9	Q3	
	Gross budget	Spend/Income to date	Forecast period	Total gross forecast	Variance
2013/14 Expenditure	3,872,464	559,382	881,122	1,440,504	-2,431,960
2013/14 External Income	-1,902,514	-313,706	-243,322	-557,028	1,345,486
TOTAL (Net)	1,969,950	245,676	637,800	883,476	-1,086,474

Table C: Impact of forecast capital programme spending and capital receipts in 2013/14 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	General Capital Receipts Reserve £	Housing Capital Receipt Reserve £	Land Management £	TOTAL £				
Opening balance per audited accounts:	-2,017,976	-1,349,385		-3,367,361				
Forecast draw down to fund 13/14 capital programme	593,706	292,770		886,476				
VAT sharing receipts to date	-200,811			-200,811	* Anticipate £244k in total for the year			
Forecast Capital Receipts in year	-671,513			-671,513				
Forecast useable Capital Receipts closing balance	-2,296,594	-1,056,615	0	-3,353,209				
Revised closing balance:-	General Capital Reserve	Housing Capital Reserve	Land mgmt	TOTAL	DECEMBER	P9		
Current Opening Balance	-2,296,594	-1,056,615	0	-3,353,209				
Less total Carry Forwards	743,841	165,603		909,444	@ P9 total report	£175k Land Mgmt taken out		
Less just approved	55,000			55,000	Moresby Split Services	£40K & Beacon lift	£15k approved	Exec
Less any repayments (1st calls)			0	0				
Est balance at yr end for 14/15	-1,497,753	-891,012	0	-2,388,765				

Capital Expenditure Report

	Current Approved Budget 13/14	Profiled Budget 13/14	Current Net Expenditure	Profiled Variance	Year-End Forecast	Forecast Variance Year-End	Capital Underspend	Capital Carry Forward
Capital								
Expenditure								
07037 Regeneration Software	40,912	40,912	16,098	(24,814)	40,912	0	0	0
07046 Whitehaven - Mount Pleasant Park	3,000	3,000	0	(3,000)	3,000	0	0	0
07057 Cemeteries & Play Areas - Condition Repo	130,250	130,250	0	(130,250)	90,250	(40,000)	0	40,000
07058 Millom Cemetery Land Purchase	149,216	149,216	4,530	(144,686)	19,985	(129,231)	0	129,231
07066 Data Capture	1,146	1,146	1,146	0	1,146	0	0	0
07084 Copeland Pool	713,000	713,000	48,883	(664,117)	348,000	(365,000)	0	365,000
07112 Customer Service Strategy	142,041	142,041	292	(141,749)	67,041	(75,000)	0	75,000
07120 Operational Building Cond Survey Backlog	109,400	109,400	7,192	(102,208)	109,070	(330)	330	0
07285 Rottington Beck	45,637	45,637	30,825	(14,812)	45,637	0	0	0
07601 Housing Grants	754,090	754,090	392,474	(361,616)	588,487	(165,603)	0	165,603
07812 Former Kells School Site	14,600	14,600	14,600	0	14,600	0	0	0
07814 Valuation Data Transfer	20,000	20,000	0	(20,000)	20,000	0	0	0
07815 Fleet Replacement	23,000	23,000	0	(23,000)	500	(22,500)	1,700	20,800
07816 Dev Mgt E-Access	1,807	1,807	0	(1,807)	1,807	0	0	0
07817 Whitehaven THI	1,303,800	1,303,800	0	(1,303,800)	19,000	(1,284,800)	0	1,284,800
07818 Moor Row Play Area	39,747	39,747	30,250	(9,497)	30,251	(9,496)	9,496	0
07820 Gillfoot Shaft Work	5,818	5,818	(150)	(5,968)	5,818	0	0	0
07821 I.C.T.	200,000	200,000	13,243	(186,757)	35,000	(165,000)	0	165,000
07822 Land Management	175,000	175,000	0	(175,000)	0	(175,000)	175,000	0
Grand Totals	3,872,464	3,872,464	559,382	(3,313,082)	1,440,504	(2,431,960)	186,526	2,245,434