

CAPITAL PROGRAMME 12/13 – BUDGET MONITORING REPORT (Quarter 2)

EXECUTIVE MEMBER: Councillor Gillian Troughton

LEAD OFFICER: Darienne Law, Head of Corporate Resources

REPORT AUTHOR: Leanne Barwise, Senior Accounting Officer

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Executive of progress on delivering the projects in the agreed 2012/13 capital programme.

To provide the summary budget position for the capital programme 2012/13 at 30th September 2012 and provides a forecast outturn position at year end.

RECOMMENDATIONS:

- I. Note the quarter 2 position of expenditure and receipts as set out in this report.
- II. Note the potential need to use the Preserved Right to Buy Element of the Useable Capital Receipts Reserve as outlined in paragraph 5.4, as there remains a strong risk that we may not realise all the forecast capital receipts this financial year.

1.0 INTRODUCTION

- 1.1. This report provides the monitoring of the capital programme 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).
- 1.2. This report provides Executive with an update of the monitoring position at the end of the second quarter of 2012/13 (July-September) and provides a forecast of expenditure to year-end. The report provides narrative in relation to exceptions only.
- 1.3. The monitoring of the capital programme is undertaken monthly and reported to the Executive quarterly.

2.0 REVISIONS TO THE CAPITAL PROGRAMME 2012/13

- 2.1 The Capital programme for 2012/13 and the gross Capital Programme budget of £1,543,649 was approved by Council on 23rd February 2012.
- 2.2 An addition to the Capital programme of £80,000 (which is fully externally funded by Waste Recycling Environmental Ltd – WREN and Copeland Community Fund - CCF) was approved in relation to the Moor Row Play Area at Executive on 27th March 2012 bringing the revised gross Capital Programme budget to £1,623,649.

- 2.3 This was further amended due to carry forwards of £303,707 from 2011/12 budget to complete projects as detailed in the Capital Outturn Report presented to Full Council 14th June 2012, adjusting the budget to £1,927,356.
- 2.4 A revision to the Capital Programme was considered and approved by Council on 6th September within the quarter 1 Capital Monitoring report, re-aligning £115,452 of under spends from various projects to support immediate works at Gillfoot Shaft. This budget re-alignment did not impact on the value of the Capital Programme budget which remained unchanged at £1,927,356.
- 2.5 An approval for £30,000 for works on the former Kells School Site as detailed in the quarter 1 Capital Monitoring Report to Full Council on 6th September 2012, brings the amended Capital Programme budget of £1,957,356 as at quarter 2.

3.0 EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

- 3.1 The gross capital programme expenditure budget for 2012/13 is £1,957,356 with an external income budget totalling £401,000 consisting of £321,000 for the provision of Disabled Facilities Grants and £80,000 for Moor Row Play Area to give a net capital programme of £1,556,356.
- 3.2 The forecast position at 30th September 2012 for financial year 2012/13 is gross capital expenditure of £1,721,839. This results in a forecast expenditure variance against budget of £235,517 as detailed in Table 1.

Table 1: Spend & external income receipt to date and forecast for year as at Quarter 2 2012/13

	Gross budget	Spend/Income to date (period 6)	Forecast period 7 - 12	Total gross forecast	Variance
2012/13 Expenditure	1,957,356	599,288	1,122,551	1,721,839	-235,517
2012/13 External Income	-401,000	-345,647	-55,353	-401,000	0
TOTAL	1,556,356	253,641	1,067,198	1,320,839	-235,517

4.0 PROGRESS AND MATERIAL VARIANCES AT QUARTER 2 – 30th September 2012

- 4.1 The majority of the forecasts submitted by Project Managers at quarter 2 contain little or no material changes since those reported in quarter 1. Those projects which have material changes in forecast spend or significant changes in progress are reported in 4.2-4.15 below.
- 4.2 Copeland Reception – The allocation of £150,000 that was approved in principal for inclusion in the current capital programme will be considered in light of the Customer Access Strategy approved by Executive on 2nd October 2012. The current forecast indicates an anticipated in year spend of £100,000 however this will be updated once Members have considered the

PID for this project. It is expected that this PID will be presented to Executive in December 2012.

- 4.3 Fleet Replacement – The Waste Services Manager is currently negotiating a deal for the purchase of the main vehicle at a discounted price, with a further vehicle to be leased/purchased in the near future. The forecast has been amended to reflect the current position and Members will be updated accordingly once more is known on the purchase/lease of both vehicles.

HOUSING SERVICES

- 4.4 Housing Services this year have a total budget of £638,289. Of this, £138,289 was carried forward from 2011/12 to fund commitments made in that year, leaving £500,000 available to commit in the current year. The current estimate for in year commitments stands at £496,935, which together with the £138,289 brought forward, gives an estimated total commitment of £635,224. Members are asked to note that these figures are subject to change as it is impossible to predict with certainty either the number or value of referrals that may be received before the financial year end.
- 4.5 Of the estimated total forecast **commitment** of £635,224 and based on an extrapolation of the first 6 months spend, forecast **spend** in year is approximately £499,000.
- 4.6 Members are asked to note that DFGs 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 the £136,374 (identified in the table 2 at 4.7 overleaf) to be carried forward into 13/14 to complete projects.

- 4.7 The details of spend and commitment is illustrated in table 2 below, with the commitments continuing to be reviewed by Housing and Finance staff on a monthly basis:

Table 2: Housing budget and spend as at Quarter 2 2012/13

Housing Budget & Spend 2012/13	£	£
<u>EXPENDITURE BUDGET</u>		
Budget brought forward from 2011/12	138,289	
New budget 2012/13	500,000	
Total budget 2012/13		638,289
<u>FUNDING OF EXPENDITURE BUDGET</u>		
UCRR (£328,289 original budget reduced by £11k DCLG)	(317,289)	
External income from DCLG (as per budget)	(250,000)	
Additional external income from DCLG (not budgeted)	(11,000)	
Cumbria County Council (as per budget)	(60,000)	
Total funding of expenditure budget		(638,289)
<u>SPEND</u>		
Actual paid at 30 th September 2012	(245,308)	
Forecast spend October – 31 st March 2013	(253,542)	
Total expected spend 2012/13		(498,850)
<u>FUNDING OF EXPECTED SPEND</u>		
Useable Capital Receipts Reserve		177,850
External income from DCLG		261,000
Additional income from Cumbria County Council		60,000
Total funding of expected spend		498,850
Total forecast underspend against budget		139,439
Estimated underspend of commitments to be carried forward		136,374
Estimated underspend not yet committed at Quarter 2		3,065
		139,439

PUBLIC BUILDINGS

- 4.8 Moresby Depot - Renewal of windows - 37 new windows to the front elevation of Moresby Depot have been installed in August of this year. The new windows are more secure and will help retain heat, reducing our carbon footprint.
- 4.9 Moresby Depot Car Park – The car park at Moresby Depot had never been designed to take heavy plant so resurfacing works were carried out to rectify this and the car park will now last 25 years.
- 4.10 Moresby Depot Segregation of Services – Whilst the area of Moresby Depot that was previously occupied by Home Group remained vacant, the opportunity was taken to separate services to the building and provide a separate access to enable our asset to be used/sub-let more effectively. Works are currently on-going.
- 4.11 Cleator Moor Market Square Car Park – This car park has been resurfaced eliminating potential hazards to the users/members of the public. The completed project was completed slightly under the £23k budget.

4.12 Lancashire Road, Millom Car Park – This car park had suffered major damage from tree roots and so a new surface was re-laid at a final cost of £13k being £5k under budget.

4.13 The bad weather in November 2011 destroyed the roof of one of our properties which is currently leased and used by a children's nursery at Meadow Road, Mirehouse. Before this could be replaced (through our insurance company) the parts that remained in situ required structural works to protect the roof.

ENERGY EFFICIENCIES

4.14 Voltage Optimisation - Following on from the successful installation of voltage optimisation at the Copeland Centre and the savings that have been generated we invested in smaller domestic sized voltage optimisation units for our smaller buildings. The units that have been installed will save 10% of energy per annum and will pay for themselves in 6 years. Following the completion of this project the councils CO2 emissions have been reduced and we can offer our tenants accommodation with reduced energy bills. Whilst benefiting from the saving in our own properties.

4.15 Moresby Depot Roof Lights – Roof lights were installed in Moresby Depot. This reduces our energy consumption and carbon footprint and together with other capital works that have been carried out at Moresby over the last 3 years we have reduced our energy consumption by over 30,000kWh per month, at current energy prices that is a saving of over £12,000 per annum. The project was completed to budget of £10,000.

5.0 CAPITAL RECEIPTS

5.1 The revised forecast capital receipts for 2012/13 as at quarter 1 totalled £851,842. The majority of the forecast receipts relates to Kells building plots that did not complete in 2011/12. The capital receipts have been further revised as at quarter 2 and now stand at approximately £372,000. The reduction is due to continuing discussions with the developer over planning which may not be resolved before the year end but the Legal Services Manager and the Estates and Valuations Manager are actively progressing matters.

5.2 Of the forecast of £372,000 above, actual disposal proceeds received at 30th September 2012 amount to only £750.

5.3 Current spend at quarter 2 is £599,288.

5.4 If the Authority fails to realise sufficient capital receipts in the year to fund its capital programme, it will be necessary to continue to use the Preserved Right to Buy (PRTB) element of the Useable Capital Receipts Reserve and then the Residual Right to Buy (RRTB) element if the PRTB becomes exhausted, as approved by Council at its meeting on 23rd February 2012. Of the total net forecast spend of £1,320,839, £1,142,989 is non-housing related and funded from Useable Capital Receipts Reserve.

6.0 FINANCING

6.1 Table 3 below shows how the 2012/13 Capital Programme will be funded. It is important that the funding of the Capital Programme is fully understood and can be demonstrated, though the monitoring returns, and 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 2012/13 capital programme expenditure of £1,721,839 is planned to be financed as shown below:

Table 3: Financing of the 2012/13 Capital Programme

Funded by:	Forecast funding based on current forecast capital receipt	Forecast funding based on original forecast receipt
Useable Capital Receipts	(465,101)	(974,601)
Useable Capital Receipts - Preserved right to buy sales (post stock transfer)	(660,793)	(346,238)
Useable Capital Receipts - Residual right to buy sales	(194,945)	0
TOTAL INTERNAL FUNDING FROM THE UCRR	(1,320,839)	(1,320,839)
External Funding	(401,000)	(401,000)
TOTAL INTERNAL & EXTERNAL FINANCING	(1,721,839)	(1,721,839)

- 6.3 As stated in paragraph 5.2 earlier in this report, only £750 of a now anticipated £372,000 capital receipt has been received to date. This has necessitated the need to utilise the housing element of the Useable Capital Receipts Reserve as agreed by Council at its meeting on 23rd February 2012. This is due to the opening balance on non-housing related element of the Useable Capital Receipts Reserve totalling just £92,759. If receipts of £372,000 are received as shown in table 4 at paragraph 6.4, the Preserved Right to Buy balance will be exhausted in year and necessitate the need to utilise the Residual Right to Buy element of the Useable Capital Receipts Reserve also these reserves will be required to be replenished with £677,888 “borrowed” (if spend remains in line with current forecast) by first call upon any future capital receipts when realised.

- 6.4 The impact of forecast capital programme spending and capital receipts in 2012/13 on the Useable Capital Receipts Reserve is demonstrated in the table below:

Table 4: Impact of forecast capital programme spending and capital receipts in 2012/13 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	Receipts from sale of assets £	Preserved right to buy sales £	Residual Right to buy £	VAT sharing receipt £	TOTAL £
Opening balance per audited accounts:	-92,759	-660,793	-1,349,385	-1,981,318	-4,084,255
Forecast draw down to fund 12/13 capital programme	465,101	660,793	194,945		1,320,839
VAT sharing receipts to date				-31,295	-31,295
Forecast Capital Receipts in year	-372,342				-372,342
Forecast useable Capital Receipts closing balance	0	0	-1,154,440	-2,012,613	-3,167,053

**highlighted cell - See caveat in paragraph 5 of this report

7.0 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. The capital programme will be funded by utilising part of the Useable Capital Receipts Reserve that originated from the sale of the housing stock.
- 7.2 The capital programme will continue to be robustly monitored over the coming months with the next report to Executive at quarter 3.

8.0 STATUTORY OFFICER COMMENTS

- 8.1 The Monitoring Officer's comments are: No further Comment
- 8.2 The Section 151 Officer's comments are: Contained in the report
- 8.3 EIA Comments: EIA Completed as part of the budget setting process.
- 8.4 Policy Framework:

8.5 Other consultee comments, if any:

9.0 WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?

- 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 capital programme will continue to be monitored monthly with the next report to Executive being at quarter 3. 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.
- 9.3 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.
- 9.4 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 – Budget Model Report Quarter 2 (to 30th September 2012)

	Current Approved Budget 12/13	Profiled Budget 12/13	Current Net Expenditure	Profiled Variance	Year-End Forecast	Forecast Variance Year-End	Capital Underspend	Capital Carry Forward
	£	£	£	£	£	£	£	£
07020 New Financial Management System	17,710	17,710	0	(17,710)	17,710	0	0	0
07031 Website Development	23,844	23,844	6,791	(17,053)	23,844	0	0	0
07037 Regeneration Software	40,912	40,912	0	(40,912)	40,912	0	0	0
07046 Whitehaven - Mount Pleasant Park	3,000	3,000	0	(3,000)	3,000	0	0	0
07048 Whitehaven Cemetery Extension	1,655	1,655	1,582	(73)	1,582	(73)	73	0
07057 Cemeteries & Play Areas - Condition Repo	40,883	40,883	0	(40,883)	40,883	0	0	0
07058 Millom Cemetery Land Purchase	121,764	121,764	0	(121,764)	121,764	0	0	0
07059 Crematorium - New Cremators	0	0	(258)	(258)	(258)	(258)	258	0
07063 Energy Efficiency Public Buildings	22,697	22,697	20,551	(2,146)	20,551	(2,146)	2,146	0
07066 Data Capture	33,673	33,673	16,733	(16,940)	33,673	0	0	0
07077 Whitehaven Cemetery	8,200	8,200	7,000	(1,200)	8,200	0	0	0
07112 Customer Service Strategy	150,000	150,000	0	(150,000)	100,000	(50,000)	0	50,000
07120 Public Building Condition Survey Backlog	177,000	177,000	145,004	(31,996)	167,482	(9,518)	9,518	0
07285 Rottington Beck	128,281	128,281	46,752	(81,529)	122,603	(5,678)	0	5,678
07405 Whitehaven Market Lights	1,500	1,500	0	(1,500)	1,500	0	0	0
07601 Housing Grants	638,289	638,289	198,404	(439,885)	498,850	(139,439)	0	139,439
07806 Cliff Stabilisation Nailing	100,000	100,000	89,269	(10,731)	100,000	0	0	0
07808 Nursery Stock Holding Area	0	0	845	845	0	0	0	0
07809 Fuel Tank Moresby	16,996	16,996	12,043	(4,953)	16,043	(953)	953	0
07812 Former Kells School Site	30,000	30,000	450	(29,550)	30,000	0	0	0
07813 Moresby Vacated Accom	25,000	25,000	15,999	(9,001)	25,000	0	0	0
07814 Valuation Data Transfer	20,000	20,000	0	(20,000)	20,000	0	0	0
07815 Fleet Replacement	111,000	111,000	0	(111,000)	86,000	(25,000)	25,000	0
07816 Dev Mgt E-Access	10,000	10,000	0	(10,000)	8,000	(2,000)	0	2,000
07818 Moor Row Play Area	80,000	80,000	1,945	(78,055)	80,000	0	0	0
07819 NCL (Energy Efficiencies)	39,500	39,500	36,178	(3,322)	39,500	0	0	0
07820 Gillfoot Shaft Work	115,452	115,452	0	(115,452)	115,000	(452)	452	0
Grand Total	1,957,356	1,957,356	599,288	(1,358,068)	1,721,839	(235,517)	38,400	197,117