

CAPITAL PROGRAMME 11/12–BUDGET MONITORING REPORT (Quarter 2)

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Joanne Wagstaffe – Director of Resources and Transformation
REPORT AUTHOR: Ann Treble – Financial Management and Treasury Accountant

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Executive of the summary budget position for the Capital Programme 2011/12 at 30 September 2011 and provide a forecast outturn position at year end.

RECOMMENDATION:

That the Executive;

- (i) Note that the gross expenditure budget for the Capital Programme in 2011/12 was £5,906,689 as at Quarter 1 11/12.
- (ii) Note the increase to the Capital budget approved by Executive at their meeting of 27 September 2011 of £133,000 in respect of further works at Bransty. This brings the gross expenditure budget to £6,039,689 for 2011/12.
- (iii) The forecast spend for the year against this programme is £3,426,605
- (iv) Note that the gross budget for external income for the year is £3,337,948 and that the forecast income against this budget is £1,693,868.
- (v) Note that the capital programme for 2011/12 is forecast to show a net variance for the year of £969,700, £451,640 of which, is forecast to be carried forward to 2012/13 as slippage with the balance of £518,060 being returned to capital reserves at 31 March 2012.

1. INTRODUCTION

- 1.1. The monitoring of the capital programme is undertaken monthly and reported to the Executive quarterly. This report provides the monitoring position at the end of the second quarter of 2011/12 (period 6) and provides a forecast of expenditure at the year-end. The report provides narrative in relation to exceptions.

2.0 REVISIONS TO THE CAPITAL PROGRAMME 2011/12

- 2.1 Members will recall, on 22 February 2011 Council approved a gross capital programme budget for 2011/12 of £4,998,428.
- 2.2 As detailed in the Quarter 1 report this sum was amended to £5,906,689, largely due to slippage at outturn.
- 2.3 This was further amended, by £133,000 at Executive on 27 September 2011 to £6,039,689 in relation to the additional works at Bransty.

3.0 EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

- 3.1 The capital programme budget for 2011/12 is £6,039,689, with external income of £3,337,948 to be received in the year giving a net capital programme cost of £2,701,741.
- 3.2 The forecast position at 30th September 2011 for financial year 2011/12 is capital expenditure of £3,426,605. This results in a forecast variance against budget of £2,613,084 as detailed in Table 1 below.

Table 1 Spend to date and Forecast for year as at Quarter 2 2011/12

	Gross expenditure budget	Spend to date	Forecast period 7-12	Total forecast gross spend	Variance
2011/12 Expenditure	6,039,689	545,464	2,881,140	3,426,605	(2,613,084)

- 3.3 The forecast for external income as at 30th September 2011 is £1,693,868 compared to the income budget of £3,337,948. This variance of £1,644,080 in external funding is due to the expected delay in spend (as claim funding retrospectively) and will be receivable when spend occurs in 2012/13.
- 3.4 Overall therefore the net position on the capital programme shows a variance of £969,700. Of this £451,640 will be carried forward to 2012/13 as slippage with balance of £518,060 reducing the call on capital reserves. See Appendix A attached for details of variances and carry forwards to date on various schemes. Explanations of key reasons giving rise to these variances are set out in paragraph 3.5.

3.5 Material Variances at Quarter 2 2011/12

- 3.5.1 A Project Initiation Document (PID) is still required before capital spend can commence on some schemes, these include 'Copeland Reception' and 'New Website'. Although PID's for these schemes are outstanding, now that the Head of Policy, Performance & Transformation is in post, work has commenced to progress these projects and PID's are expected before end of Quarter 3. These budgets stand at:
- £150,000 Copeland Reception forecast to spend the majority of budget (£100,000) in this year, with the remainder carried forward.
 - £30,000 and £21,908, for Website Development (with a further £30,000 revenue costs in respect of the website). The current forecast shows a £11,908 underspend, but Members will be updated once the PID has been approved.
- 3.5.2 The Water Industry (Scheme for Adoption of Private Sewers) Regulations 2011, came into force as of 1st October 2011. Under this legislation Copeland responsibility ceases and the utility companies take on the responsibility for all previously unadopted sewers. The forecast for spend for the year on sewers, as at 30 September 2011, has been estimated at £20,000 resulting in an estimated unused budget of £218,500. At the time of writing this report, the Legal Services Manager is in the process of informing Home Group that this legislation supercedes the relevant clause(s) contained within the Housing Stock transfer document. The removal of this obligation means the unused budget of £218,500 can be returned to the useable capital receipts reserve for use on future capital programmes across the Council.
- 3.5.3 Following the approval at Executive of 27 September 2011, of the proposal for the Cemeteries & Play Areas budget, the forecast spend stands at £75,000, resulting in an underspend against budget of £42,000. This can be returned to the useable capital receipts reserve for use by the Council on future capital projects.
- 3.5.4 With the exception of establishment planting, which will take place in the better weather, the Mount Pleasant project is now complete. This project was successfully completed at less than full budget resulting in an overall saving of £24,893. This gives the Council a return to the useable capital receipts reserve of £8,554 which will be available for use on future capital projects, and a saving to the external funding body of £16,339.
- 3.5.5 Members will recall from the Quarter 1 Capital report that the Government Property Unit (GPU) requested a green book appraisal to be carried out with regards to the Albion Square development. The business case from this appraisal is due to be received by partners at the start of November

and forwarded to the GPU by the end of November. It is estimated the GPU may take up to 3 months to make a decision on the appraisal. At the time of writing this report negotiations are taking place to transfer the funding and the responsibility and associated risk from CBC to another partner. As and when this happens this will reduce the gross capital programme for 2011/12 from £6,039,689 to £3,169,689 and the gross external income budget from £3,337,948 to £467,948. The current forecast shows £1,650,632 under spend in year, pending receipt and acceptance of the change control previously mentioned, as it is unlikely any enabling works will commence before March next year, with the remainder of the funding currently shown as a carry forward into the next financial year to enable the works to be carried out.

3.5.6 Housing Services this year have a total budget of £978,458. Of this, £355,000 was carried forward from 2010/11 to fund commitments made in that year. This leaves £623,458 available to commit in the current year. Commitments to date for 2011/12, as at 30 September 2011 total approximately £235,000 on new cases. Based on this mid-year figure the current estimate for full year commitments stands at £500,000, which together with the £355,000 brought forward, gives a total commitment of £855,000. This indicates approximately £120,000 of the current budget will not be required during this year and can be returned to the useable capital receipts reserve for use on future housing capital projects. Members are asked to note that this figure is subject to change as it is impossible to predict with certainty both the number and value of referrals that may be received in the next six months.

3.5.7 Of the total forecast commitment of £855,000 (as detailed in paragraph 3.5.6 above) based on spend to date, forecast spend in year will be approximately £600,000. This gives a variance to carry forward into 2012/13 (to fund the commitments made in the current year) of £255,000. This carry forward is necessary as the majority of spend occurs at end of each individual project. 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 commitments will continue to be reviewed by housing and finance staff on a monthly basis and Members will be updated as part of the quarterly capital programme monitoring process.

3.5.8 Millom cemetery land purchase - following the approval at Executive on 27 September 2011, current year expenditure is forecast at £2,500 against a capital budget of £39,216. The remaining £36,716 is required to be carried forward into 2012/13 (and possibly beyond) to fund the purchase of land.

- 3.5.9 The completion of the installation of the new Cremator has resulted in a £84,000 underspend against budget. This can be returned to useable capital receipts reserve for use on future capital programmes across the Council. Members are asked to note that the current capital bid process for the production of the capital programme for 2012/13 – 2015/16 is underway.
- 3.5.10 Public Buildings is a rolling programme i.e. budgets are allocated and works are carried out over a number of years. The works identified to be carried out in the current year total £150,000 leaving £50,000 of the current year's budget unallocated resulting in the under spend detailed on Appendix A. All outstanding works are currently being reviewed, through the capital bid process in order to prioritise and allocate both the remainder of this and next year's budget. The current years forecast will be updated when this work is complete.
- 3.5.11 Energy Efficiencies are currently forecasting a £45,000 spend resulting in an underspend against the current budget of £35,000. This too is a rolling programme and is currently undergoing the same process as detailed in 3.5.10 above. Again, the current year forecast will be updated as this work is complete.

4.0 CAPITAL RECEIPTS

- 4.1 Forecast receipts from sale of assets is £1,720,318.
- 4.2 Disposal proceeds received to date at 30 September 2011 are £656,000.
- 4.3 Members are reminded that the timing and value of the capital receipts are critical to the funding of the capital programme.

5.0 FINANCING

- 5.1 Table 2 on the next page shows how the 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 ongoing budget management.
- 5.2 The forecast 2011/12 capital programme expenditure of £3,426,605 can be financed as shown in Table 2 on the next page:

Table 2: Financing of the 2011/12 Capital Programme

Funded by:	£
Useable Capital Receipts	(1,382,999)
Useable Capital Receipts - Preserved right to buy sales (post stock transfer)	(342,458)
Useable Capital Receipts - Residual Right to Buy receipts (pre stock transfer)	-
External Funding	(1,693,868)
Other Reserves & contributions	(7,280)
TOTAL FINANCING	(3,426,605)

6.0 CAPITAL RESOURCES

6.1 Table 3 below shows the forecast position of the movement (i.e. use and new capital receipts) on usable capital receipts during the year which will be used to fund the capital programme.

Table 4: Impact of forecast capital programme spending and capital receipts in 2011/12 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:	(55,183)	(984,266)	(1,349,385)	(1,847,988)	(4,236,822)
Forecast draw down to fund 10/11 capital programme	1,382,999	342,458			1,725,457
VAT sharing receipts to date				(68,748)*	(68,748)
Forecast Capital Receipts in year	(1,720,318)				(1,720,318)
Forecast useable Capital Receipts closing balance	(392,502)	(641,808)	(1,349,385)	(1,916,736)	(4,300,431)

(1,991,193)

*We have recently written to Home Group for confirmation of the forecasted VAT Sharing Receipts figures we can expect for this year, Members will be updated upon receipt.

6.2 The table above, illustrates the balances within the Useable Capital Receipts Reserve and demonstrates the proportion of the overall value which relates to receipts arising from housing (£1,991,193 of a total forecast closing balance of £4,300,431).

7 STATUTORY OFFICER COMMENTS

- 7.1 The Monitoring Officer's comments are: No comment
- 7.2 The Section 151 Officer's comments are: Comments contained in the report.
- 7.3 EIA Comments: EIA Completed as part of the budget setting process.
- 7.4 Other consultee comments, if any:

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

- 8.1 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.
- 8.2 The capital programme will continue to be monitored monthly and reported to Members on a quarterly basis. 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.
- 8.3 To assist with this process, the Council's approved budget will not be changed on an ongoing basis during the year, which has been the case in past years. Instead as the year passes by key changes will be identified through the budget monitoring process and incorporated into a revised budget position, which will be presented to members towards the end of 2011.
- 8.4 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.
- 8.5 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 the Contracts and Property Manager meet monthly and review asset sales

List of Appendices

Appendix A Detailed Schemes Capital Programme

List of Background Documents: None

Quarter 2 Capital Monitoring - Cost Centre Level Appendix A

	CURRENT APPROVED BUDGET	NET ACTUAL EXPENDITURE	PROJECTION REMAINDER OF YEAR	YEAR TOTAL	VARIANCE	ADVERSE VARIANCE	VARIANCE UNDERSPEND	VARIANCE	
								CARRY FORWARD	
Capital									
<u>Building Control</u>									
07037	41,127.00	155.40	40,972.00	41,127.00	0.00	0.00	0.00	0.00	0.00
07066	46,700.00	0.00	46,700.00	46,700.00	0.00	0.00	0.00	0.00	0.00
TOTAL BUILDING CONTROL	87,827.00	155.40	87,672.00	87,827.00	0.00	0.00	0.00	0.00	0.00
<u>Communications</u>									
07031	51,908.00	0.00	40,000.00	40,000.00	(11,908.00)	0.00	11,908.00	0.00	0.00
TOTAL COMMUNICATIONS	51,908.00	0.00	40,000.00	40,000.00	(11,908.00)	0.00	11,908.00	0.00	0.00
<u>Customer Services</u>									
07112	150,000.00	0.00	100,000.00	100,000.00	(50,000.00)	0.00	0.00	0.00	50,000.00
TOTAL CUSTOMER SERVICES	150,000.00	0.00	100,000.00	100,000.00	(50,000.00)	0.00	0.00	0.00	50,000.00
<u>Economic Development</u>									
07046	48,075.00	19,258.42	3,924.00	23,182.00	(24,893.00)	0.00	24,893.00	0.00	0.00
07052	2,952,814.00	2,182.00	1,300,000.00	1,302,182.00	(1,650,632.00)	0.00	0.00	0.00	1,650,632.00
TOTAL ECONOMIC DEVELOPMENT	3,000,889.00	21,440.42	1,303,924.00	1,325,364.00	(1,675,525.00)	0.00	24,893.00	0.00	1,650,632.00
<u>Environmental Health</u>									
07285	86,752.00	0.00	75,000.00	75,000.00	(11,752.00)	0.00	0.00	0.00	11,752.00
07762	238,500.00	13,699.00	6,301.00	20,000.00	(218,500.00)	0.00	218,500.00	0.00	0.00
TOTAL ENVIRONMENTAL HEALTH	325,252.00	13,699.00	81,301.00	95,000.00	(230,252.00)	0.00	218,500.00	0.00	11,752.00
<u>Financial Services</u>									
07020	20,590.00	2,880.00	17,710.00	20,590.00	0.00	0.00	0.00	0.00	0.00
TOTAL FINANCIAL SERVICES	20,590.00	2,880.00	17,710.00	20,590.00	0.00	0.00	0.00	0.00	0.00
<u>Parks & Open Spaces</u>									
07048	100,000.00	0.00	100,000.00	100,000.00	0.00	0.00	0.00	0.00	0.00
07057	116,944.00	0.00	75,000.00	75,000.00	(41,944.00)	0.00	41,944.00	0.00	0.00
07077	1,200.00	0.00	1,200.00	1,200.00	0.00	0.00	0.00	0.00	0.00
07389	5,055.00	5,751.00	0.00	5,751.00	696.00	696.00	0.00	0.00	0.00

07399	Playbuilder Money	85,901.00	96,905.10	0.00	96,905.00	11,004.00	11,004.00	0.00	0.00
07405	Whitehaven Market Lights	31,770.00	0.00	31,770.00	31,770.00	0.00	0.00	0.00	0.00
07600	Millom Iron Works	19,858.00	18,919.68	938.00	19,858.00	0.00	0.00	0.00	0.00
07802	Electric Book of Remembrance	6,575.00	571.66	6,003.00	6,575.00	0.00	0.00	0.00	0.00
07808	Nursery Stock Holding Area	27,000.00	0.00	27,000.00	27,000.00	0.00	0.00	0.00	0.00
	TOTAL PARKS & OPEN SPACES	394,303.00	122,147.44	241,911.00	364,059.00	(30,244.00)	11,700.00	41,944.00	0.00

Property Management

07058	Millom Cemetery Land Purch	39,216.00	0.00	2,500.00	2,500.00	(36,716.00)	0.00	0.00	36,716.00
07059	Crem - New Cremators	84,782.00	1,084.81	0.00	1,085.00	(83,697.00)	0.00	83,697.00	0.00
07063	Energy Efficiency Public Buildings	79,315.00	377.00	44,000.00	44,377.00	(34,938.00)	0.00	0.00	34,938.00
07120	Public Building Condition Survey	200,997.00	9,807.70	139,842.00	149,650.00	(51,347.00)	0.00	0.00	51,347.00
07806	Bransty Soil Nailing	209,732.00	25,500.00	179,500.00	205,000.00	(4,732.00)	0.00	4,732.00	0.00
07810	Bransty Rock Bolting	170,000.00	0.00	150,000.00	150,000.00	(20,000.00)	0.00	20,000.00	0.00
07811	Bransty Urgent Action	133,000.00	0.00	133,000.00	133,000.00	0.00	0.00	0.00	0.00
	TOTAL PROPERTY MANAGEMENT	917,042.00	36,769.51	648,842.00	685,612.00	(231,430.00)	0.00	108,429.00	123,001.00

Refuse & Recycling

07809	Fuel Tanker Moresby	43,500.00	0.00	43,500.00	43,500.00	0.00	0.00	0.00	0.00
	TOTAL REFUSE & RECYCLING	43,500.00	0.00	43,500.00	43,500.00	0.00	0.00	0.00	0.00

Revenues & Benefits

07040	Revenue & Benefits Capital Scheme	63,725.00	(68,000.00)	123,000.00	55,000.00	(8,725.00)	0.00	8,725.00	0.00
	TOTAL REVENUE & BENEFITS	63,725.00	(68,000.00)	123,000.00	55,000.00	(8,725.00)	0.00	8,725.00	0.00

Strategic Housing

07601	Housing Grants	978,458.00	416,372.89	187,085.00	603,458.00	(375,000.00)	0.00	120,000.00	255,000.00
	TOTAL STRATEGIC HOUSING	978,458.00	416,372.89	187,085.00	603,458.00	(375,000.00)	0.00	120,000.00	255,000.00

Strategic Planning

07049	MOSAIC Project	6,195.00	0.00	6,195.00	6,195.00	0.00	0.00	0.00	0.00
	TOTAL STRATEGIC PLANNING	6,195.00	0.00	6,195.00	6,195.00	0.00	0.00	0.00	0.00

GRAND TOTAL

		6,039,689.00	545,464.66	2,881,140.00	3,426,605.00	(2,613,084.00)	11,700.00	534,399.00	2,090,385.00
--	--	---------------------	-------------------	---------------------	---------------------	-----------------------	------------------	-------------------	---------------------

92