

## **CAPITAL BUDGET – QUARTER 2 SUMMARY FINANCIAL REPORT 2014/15**

### **(1 July 2014 to 30 September 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 6 month period to 30 September 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 £2,864,001 (compared to £2.87m at Q1) with forecast external income of £1,176,809 to give a net forecast of £1,687,192.
- III. Note the forecast year-end variance on the overall Capital Programme 2014/15 is a gross underspend of £746k at 30 September 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 30 September 2014 (Quarter 2) 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 30 September 2014 and an expected expenditure position for the next six 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 at 30 June 2014.
- 2.3. A £22k addition to the capital programme (in excess of £3.596m 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. 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 2 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 30 September 2014 for financial year 2014/15 is gross capital expenditure of £2,864,001. Actual spend at quarter 2 amounts to £685,925 with £2,178,076 (76%) forecast to be spent in the next six months of the year.
- 3.4 The gross income budget is £1,162,649 but the actual income received as at 30 September 2014 for financial year 2014/15 is £386,959; £276k from DCLG towards the provision of Disabled Facilities Grants (£15k more than originally budgeted), £97k from Sport England in relation to the fitness extension at Copeland Pool and £14k in relation to the Whitehaven THI. The remaining external income of £787k 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 £746,428 (Gross Expenditure variance £732,268 + gross income variance £14,160 = £746,428) as detailed in Table A at Appendix A.

### 4. PROJECT UPDATES FROM PROJECT MANAGERS AS AT 30 SEPTEMBER 2014

- 4.1 Copeland Pool Fitness Extension - Delays with the main floor in the gym have meant the fitness extension is behind schedule, but we expect the facility to be complete before the end of November. This project is funded by Sport England, Copeland Community Fund and Copeland Borough Council.
- 4.2 Customer Access Project - £142k capital relates to the redesign and development of the reception area at the Copeland Centre. The capital project has been put on hold to enable the accommodation strategy work to identify the location of the Council's key customer access reception into 2015 and beyond. The outcome of the accommodation review is timetabled for January 2015 at which time the customer access project will be re-scoped and submitted to the Delivering Differently Board for approval. The capital resource needs to be kept available for some spend this financial year but the full spend projection will not be confirmed until January 2015.
- 4.3 ICT - The agile & mobile working element of the project is underway and is expected to be completed prior to year end. This project is closely linked to the Accommodation Review and until more is known, the budget will need to remain committed to year end

- 4.4 Whitehaven THI - We have just come to the end of the first year of this five year, £1.4m programme, which provides building grants to property owners in the Whitehaven Old Town Conservation Area. Buildings have been prioritised, with the first grant being offered to the Whitehaven Foyer Company, to transform the near derelict former YMCA building on Irish Street, into a community Foyer. After a delayed start work is now progressing well with a completion date of September 2015. The THI also has funding for skills training and community events, to help contractors and local residents learn how to look after and protect the historic building fabric and learn about the history of the area. Successful tours of the Former YMCA have been undertaken as part of the annual Heritage Open Days Weekend and a series of training events is being organised, with the first, a lime plastering taster day, being held for brickwork students on the 19th November. A website has also been set up and a newsletter produced. £100,000 has been allocated for public realm works and the first phase, being paving on the site of the former public toilets on James Street has been completed. Landscape architects have now been employed to deliver a second phase of works on the site. The project will compliment Albion Square in improving this gateway to the town and bring new businesses, residents and economic activity into the area. The five year programme is expected to be delivered on time and to budget.
- 4.5 Fleet Replacement – The bulk of this budget (£90k) was to provide a recycling vehicle but due to the expected introduction of new waste regulations in January 2015, which require 4 types of kerbside recycling materials to be collected by Local Authorities in place of the current 3 collected in Copeland, it is anticipated that the purchase of a recycling vehicle may not be complete in 2014/15. Before replacing recycling vehicles, we need to assess whether our current recycling service complies with the new regulations and if not what needs to be done to be compliant. A vehicle specification will come from that piece of work, which will then enable an options appraisal (lease or purchase) to be completed. The £90k budget has therefore been recorded as an under spend to be carried forward within the model to reflect the current position.
- 4.6 Whitehaven Cemetery Extension - The project is now concentrated on maximising space within the existing cemetery including the development of an area of land previously identified as potential woodland burial land, which is anticipated to be less costly than the original plan to buy additional land. However cost estimates are still being developed and until more is known the projection has been revised to reflect that the budget will not be fully spent within this financial year.

## 5. HOUSING SERVICES

- 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 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.

- 5.4 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.
- 5.5 The details of anticipated spend is illustrated in Table 1 below, with the commitments continuing to be reviewed by Housing and Finance staff on a monthly basis:

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

Housing Budget & Spend 2014/15	£	£
<b>FORECAST POSITION as at Quarter 2</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	283,295	
Forecast Spend to March 2015	304,104	
<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 usage:</b>		
Commitments 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 £638k.
- Of the revised forecast capital receipts of £638k above, actual disposal proceeds received at Quarter 2, (30 September 2014) amounted to £190k.
  - Of the remaining £448k anticipated receipts (£638k estimated above less £190k already received) - £382k relates to the former Kells School Plots and the Legal Services Manager is actively progressing these sales. However, it should be noted that these may slip into the next financial year and not be realised this year. The remaining £66k relates to ad-hoc sales of land and property which are currently still anticipated to be sold within year.
  - 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 £2,864,001 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	1,297,536
Useable Capital Receipts – Housing Capital Receipts	389,656
<b>TOTAL INTERNAL FUNDING FROM THE UCRR</b>	<b>1,687,192</b>
External Funding	*1,176,809
<b>TOTAL INTERNAL &amp; EXTERNAL FINANCING</b>	<b>2,864,001</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 September 2014 would leave a balance of approximately £2.2m in the Useable Capital Receipts reserve as at 31 March 2015 made up of £1.1m 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 January 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 for 2015/16.
- 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 updated position at Quarter 3 – to 31 December 2014.

## **9 STATUTORY OFFICER COMMENTS**

- 9.1 The Monitoring Officer's comments are: No further comment.
- 9.2 The Section 151 Officer's comments are: Included in the report

9.3 EIA Comments: None

9.4 Policy Framework: Details are in accordance with the approved capital strategy and programme approved by Council.

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 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.

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 2

Appendix B – Capital Budget Monitoring Report from Total

## Appendix A

**Table A: Spend & external income receipt to date and forecast for year as at 30 September 2014**

	Gross budget	Spend/Income to date	Forecast period	Total gross forecast	Variance
2014/15 Expenditure	3,596,269	685,925	2,178,076	2,864,001	-732,268
2014/15 External Income	-1,162,649	-386,959	-789,850	-1,176,809	-14,160
<b>TOTAL (Net)</b>	<b>2,433,620</b>	<b>298,966</b>	<b>1,388,226</b>	<b>1,687,192</b>	<b>-746,428</b>

**Table B: Impact of forecast capital programme spending and 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	1,297,536	389,656		<b>1,687,192</b>
VAT sharing receipts to 30 September 2014*	-95,859			<b>-95,859</b>
Actual Capital Receipts received to 30 September 2014*	-190,410			<b>-190,410</b>
Forecast useable Capital Receipts <b>closing balance</b>	<b>-1,153,658</b>	<b>-868,419</b>	<b>-200,000</b>	<b>-2,222,077</b>

\*Note: The VAT Share receipts & Capital Receipts are shown as *actual* received at Q2. The year end *forecast* capital receipts for VAT Share is £305k and £638k for capital receipts. If the full forecast receipts are received, the balance on the General Capital Receipts Reserve would be £1.89m at year end (not £1.23m) resulting in a total reserves balance of £2.95m (not £2.3m).

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

	Budget £	Forecast £
<b>TOTAL FINANCING OF CAPITAL PROGRAMME 2014/15</b>	<b>-3,596,269</b>	<b>-2,864,001</b>
<b>Funded By:</b>		
Useable Capital Receipts	-1,858,714	-1,297,536
Housing Capital Receipts Reserve	-574,906	-389,656
Other Reserves and Contributions	0	0
<b>TOTAL INTERNAL FUNDING</b>	<b>-2,433,620</b>	<b>-1,687,192</b>
External Funding	-1,162,649	-1,176,809
<b>TOTAL FINANCING INCL EXTERNAL INCOME</b>	<b>-3,596,269</b>	<b>-2,864,001</b>



## APPENDIX B - CAPITAL BUDGET MONITORING REPORT (FROM TOTAL) AS AT 30 SEPTEMBER 2014

Project Description	Current Approved Budget 14/15	Current Net Expenditure to 30/09/14	Revised Projection to Year end	Forecast Year- End Variance
Regeneration Software	0	250	250	250
Whitehaven - Mount Pleasant Park	3,000	0	3,000	0
St Bees Play Area	136,947	108,897	132,829	(4,118)
Millom Cemetery Land Purchase	143,126	5,134	143,126	0
Copeland Pool	664,702	168,147	664,702	0
Customer Service Strategy (Incl Accom. Strategy & ICT)	728,798	8,380	728,798	0
Operational Building Cond Survey	3,650	3,727	0	(3,650)
Operational Building - Beacon Lift	46,385	39,982	43,182	(3,203)
Operational Building - Moresby Splitting Services	4,421	0	3,727	(694)
Rottington Beck	14,734	14,761	14,761	27
Housing DFG Grants	757,337	283,295	587,399	(169,938)
Valuation Data Transfer	20,000	0	0	(20,000)
Fleet Replacement	94,600	1,378	4,600	(90,000)
Whitehaven THI	650,000	38,015	409,058	(240,942)
Whitehaven Cemetery Extension	250,000	0	50,000	(200,000)
Empty Homes Clusters	78,569	13,958	78,569	0
<b>TOTAL EXPENDITURE</b>	<b>3,596,269</b>	<b>685,925</b>	<b>2,864,001</b>	<b>(732,268)</b>