

CAPITAL BUDGET – QUARTER 1 SUMMARY FINANCIAL REPORT 2014/15 (1 April 2014 to 30 June 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 3 month period to 30 June 2014.

RECOMMENDATIONS:

- I. Note the approved gross capital budget of £3,596,270, £1,162,649 of which is funded by external income to give a net current capital budget of £2,433,621.
- II. Note the total anticipated capital spend in the year to 31 March 2015 is £2.87m.
- III. Note the forecast year-end variance on the overall Capital Programme 2014/15 is a gross underspend of £730,911 at 30 June 2014. This, together with the additional £15,312 external income we have received to date (see paragraph 6.4) gives a total net variance of £746,224. As at quarter 1 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 June 2014 (Quarter 1) of capital receipts for 2014/15 as set out in paragraph 7.

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 June 2014 and an expected expenditure position for the next nine 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 £3,596,270 at 30 June 2014. This has been summarised for information at table A in Appendix A.

- 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 cost of £19k to manage the emissions.

3. EXPENDITURE TO DATE AND FORECAST YEAR END POSITION

- 3.1 At quarter 1 the gross capital programme expenditure **budget** for 2014/15 is £3,596,270 as detailed above and in Table A at Appendix A.
- 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 £2,433,621 as shown in Table B.

- 3.3 It should be noted that depending on spending patterns and grant conditions for reclaiming external funding, all external capital income usage during 2014/15 is estimated as it may be claimed in future financial years, as opposed to during 14/15. 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 need to bankroll the expenditure.
- 3.4 The forecast **expenditure** position at 30 June 2014 for financial year 2014/15 is gross capital expenditure of £2,865,358. Actual spend at quarter 1 amounts to £236,290 with £2,629,068 (92%) forecast to be spent in the next nine months of the year.
- 3.5 The gross income budget is £1,162,649 but the actual income received as at 30 June 2014 for financial year 2014/15 is £276,312 from DCLG towards the provision of Disabled Facilities Grants (£15,312 more than originally budgeted). The remaining external income of £901,649 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.
- 3.6 This results in forecast favourable variance against budget of £746,224 (Gross Expenditure variance £730,912 + gross income variance £15,312 = £746,224) as detailed in table B at Appendix A.

4. PROJECTS COMPLETED SINCE YEAR END

- 4.1 Beacon lift Replacement - The project successfully installed a new lift within the Beacon replacing the previous 18 year old lift which had passed its useful life. The project was completed under budget; with an estimated underspend of just over £3k to be returned to reserves for use on other projects.
- 4.2 St Bees Play Area - The new play area on St Bees Foreshore was officially opened to the public on 10 July 2014. St Bees Parish Council utilised £40k awarded by the authority as match funding to secure external grant funding to total just over £138k and allow a large renovation of the original play area

which had well passed its design life. The play area has doubled in size and offers improved access and a wide range of play equipment for ages 0-14 benefitting the local community and visitors to the area.

5. PROJECT UPDATES AS AT 30 JUNE 2014

- 5.1 Copeland Pool Fitness Extension – Works on the Gym Extension at Copeland Pool are progressing with an estimated completion date of October 2014 when the facility will be open for use not only to current gym members but to encourage additional members within the Borough to promote and maintain an active lifestyle. The new extension will house a new 35 station gym, two activity rooms for delivery of fitness classes, improved changing facilities as well as creating additional car parking.
- 5.2 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.
- 5.3 Customer Service Strategy - A capital budget to enable reception redesign as part of the customer services strategy was carried forward into 2014/15. Delivering Differently will impact on the customer access requirements. The projected spend is at zero until the new requirements are finalised.
- 5.4 Whitehaven Cemetery Extension - A number of pieces of land have now been identified as possible sites and works must be undertaken to see if these are suitable. The estimated cost of these works are £10k, if none of these sites are suitable then this will be a revenue cost and will be covered within the current year revenue budget. If one of the sites is suitable and progresses, the costs relating to it can be funded through the capital budget. Once a suitable piece of land is identified a PID will be presented to Executive.

6. HOUSING SERVICES

- 6.1 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.
- 6.2 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.
- 6.3 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 6.2 above.

- 6.4 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.
- 6.5 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 as at 30 June 2014

Housing Budget & Spend 2014/15		£	£
FORECAST POSITION			
<u>EXPENDITURE BUDGET</u>			
Budget brought forward from 2013/14		157,337	
New budget 2014/15		600,000	
Total budget 2014/15			757,337
<u>FUNDING OF EXPENDITURE BUDGET</u>			
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	
Total funding of expenditure budget		-	757,337
<u>FORECAST EXPENDITURE 2014/15</u>			
Actual paid to date		146,850	
Forecast Spend to March 2015		440,549	
Total Expenditure 2014/15			587,399
<u>FUNDING OF FORECAST EXPENDITURE</u>			
External income from DCLG	-	261,000	
Additional income from DCLG	-	15,312	
Useable Capital Receipts Reserve		311,087	
Total funding of Expenditure		-	587,399
Budget Forecast Underspend			169,938
Underspend usage:			
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			-
			169,938

7. CAPITAL RECEIPTS

- 7.1 The initial forecast capital receipts for 2014/15 was estimated at £351k but this has since been revised to receipts of approximately £638k.
- 7.1 Of the revised forecast capital receipts of £638k above, actual disposal proceeds received at Quarter 1, (30 June 2014) amounted to £29.2k.
- 7.2 Of the remaining £609k anticipated receipts (£638k estimate above less £29k 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 £227k relates to ad-hoc sales of land and property which are currently anticipated to be sold within year.

- 7.3 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.

8. FINANCING

- 8.1 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.
- 8.2 The current forecast 2014/15 capital programme expenditure of £2,865,358 is planned to be financed as follows:

Table 2: Financing of the 2014/15 Capital Programme

Funded by:	Forecast funding based on current forecast capital receipt
Useable Capital Receipts – General Capital Receipts	1,297,741
Useable Capital Receipts – Housing Capital Receipts	389,656
TOTAL INTERNAL FUNDING FROM THE UCRR	1,687,397
External Funding	*1,177,961
TOTAL INTERNAL & EXTERNAL FINANCING	2,865,358

* Please see paragraph 3.2 for the make-up of the external funding and 3.5 for further details

- 8.3 The impact of forecast capital programme spending and capital receipts in 2014/15 would leave a balance of approximately £2.878m in the Useable Capital Receipts reserve as at 31 March 2015 including £1.8m in the General Capital Receipts and £0.9m in Housing Capital Receipts. This is also shown in Table C at Appendix A.

9. CONCLUSION

- 9.1 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.
- 9.2 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 Quarter 2 – to 30 September 2014.

10. STATUTORY OFFICER COMMENTS

- 10.1 The Monitoring Officer's comments are: No further comment
- 10.2 The Section 151 Officer's comments are: Included within this report
- 10.3 EIA Comments: None
- 10.4 Policy Framework: Details are in accordance with the approved capital strategy & programme approved at Council.

10.5 Other consultee comments, if any: None

11 RESOURCE REQUIREMENTS

- 11.1 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.
- 11.2 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.

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

- 12.1 The capital programme will continue to be monitored monthly with the next report to Executive at Quarter 2. 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.
- 12.2 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 Interim Estates & Valuation Manager and the Finance Team meet quarterly and review asset sales.

List of Appendices:

Appendix A – Capital Financial Tables at Quarter 1

Appendix B – Capital Budget Monitoring Report from Total

Appendix A

Table A: Capital Programme Budget 2014/15

CAPITAL PROGRAMME BUDGET 2014/15	
	£
Original Budget approved at Council 13/02/14	1,340,000
Approved amendments to budget:	
Capital Outturn EXE 27/05/14 (19/06/14 Council) carry forwards for 2014/15	2,256,270
Current Budget	3,596,270

Table B: Spend & external income receipt to date and forecast for year as at 30 June 2014

Table 1: Spend to date and Forecast for year as at			30th June 2014		
	Gross budget	Spend/Income to date	Forecast period	Total gross forecast	Variance
2014/15 Expenditure	3,596,270	236,290	2,629,068	2,865,358	-730,912
2014/15 External Income	-1,162,649	-276,312	-901,649	-1,177,961	-15,312
TOTAL TO FINANCE	2,433,621	-40,022	1,727,419	1,687,397	-746,224

Table C: 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 £
Opening balance per unaudited accounts:	-2,164,925	-1,258,075	-200,000	-3,623,000
Forecast draw down to fund 14/15 capital programme	1,297,741	389,656	0	1,687,397
Forecast VAT Share receipts in year	-305,000	0	0	-305,000
Forecast Capital Receipts in year	-637,565	0	0	-637,565
Forecast useable Capital Receipts closing balance	-1,809,749	-868,419	-200,000	-2,878,168

Table D: Financing of the 2014/15 Capital Programme

	Budget £	Forecast £
TOTAL FINANCING OF CAPITAL PROGRAMME 2014/15	-3,596,270	-2,865,358
Funded By:		
Useable Capital Receipts	-1,858,715	-1,297,464
Housing Capital Receipts Reserve	-574,906	-389,656
Other Reserves and Contributions	0	-277
TOTAL INTERNAL FUNDING	-2,433,621	-1,687,397
External Funding	-1,162,649	-1,177,961
TOTAL FINANCING INCL EXTERNAL INCOME	-3,596,270	-2,865,358

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	0	0	(500)	(500)	250	250	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	136,947	136,947	2,093	(134,854)	136,947	0	0	0
07058	Millom Cemetery Land Purchase	143,126	143,126	5,134	(137,992)	143,126	0	0	0
07084	Copeland Pool	664,702	664,702	33,236	(631,466)	664,702	0	0	0
07112	Customer Service Strategy	142,041	142,041	0	(142,041)	0	(142,041)	0	142,041
07120	Operational Building Cond Survey Backlog	54,456	54,456	39,982	(14,474)	46,909	(7,547)	7,547	0
07285	Rottington Beck	14,734	14,734	9,495	(5,239)	14,761	27	0	0
07601	Housing Grants	757,337	757,337	146,850	(610,487)	587,399	(169,938)	0	169,938
07814	Valuation Data Transfer	20,000	20,000	0	(20,000)	0	(20,000)	0	20,000
07815	Fleet Replacement	94,600	94,600	0	(94,600)	4,600	(90,000)	0	90,000
07817	Whitehaven THI	650,000	650,000	0	(650,000)	482,095	(167,905)	0	167,905
07821	I.C.T.	186,757	186,757	0	(186,757)	53,000	(133,757)	0	133,757
07823	Accomodation Strategy	400,000	400,000	0	(400,000)	400,000	0	0	0
07824	Whitehaven Cemetery Extention	250,000	250,000	0	(250,000)	250,000	0	0	0
07825	Empty Homes Clusters	78,569	78,569	0	(78,569)	78,569	0	0	0
Grand Totals		=====	=====	=====	=====	=====	=====	=====	=====
		3,596,269	3,596,269	236,290	(3,359,979)	2,865,358	(730,911)	7,547	723,641