

REPORT OF: **FINANCIAL SERVICES**
 FINANCIAL SERVICES MANAGER

TO: **EXECUTIVE**

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CAPITAL PROGRAMME – PROVISIONAL OUTTURN 2014/15

PURPOSE OF REPORT

1. This report is to inform the Executive of the provisional outturn position on the Capital Programme for 2014/15.

RECOMMENDATIONS

2. The Executive is recommended to:
 - a) note the provisional outturn position on the Council's Capital Programme for 2014/15;
 - b) approve the proposals for slippage in the programme from 2014/15 to 2015/16.

REASONS FOR RECOMMENDATION

3. To inform the Executive of the outturn position for the Council's Capital Programme in 2014/15.

ISSUE

2014/15 Approved Capital Programme

4. At the Council meeting on 20th February 2014, Councillors approved a capital programme for 2014/15 of £8.04m. This included slippage from 2013/14, estimated at that time at £6.45m. During the year, there have been various adjustments to the programme as follows:-
 - a) additional budget provision arising from the actual slippage brought forward from 2013/14. This amounted to £9.05m, some £2.6m more than the slippage initially assumed in the Programme ([see Appendix A, Column 4](#));
 - b) changes to the Programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the Programme totaling £0.96m ([see Appendix A, Column 5](#)).

5. Taking into account these adjustments, the overall Capital Programme for 2014/15 totals £11.6m (see [Appendix A, Column 6](#)).

Draft (pre-audit) Capital Programme Outturn Position 2014/15

6. The draft (pre-audit) outturn position for the Capital Programme is expenditure of £5.8m, a net underspend of £5.8m when compared to the revised budget for the year. This is summarised in Table 1 below:-

Table 1: Capital Outturn 2014/15 (pre-slippage)

	Revised Budget £000	Final Outturn £000	Variance £000
Housing	6,826	3,757	(3,069)
Environmental, Roads, Street Lighting	491	56	(435)
Waste Collection	67	79	12
Community Safety	144	8	(136)
Resource Procurement	1,604	970	(634)
Asset Renewal	728	159	(570)
Parks and Recreation	220	73	(147)
Area Committees	641	352	(288)
Other Capital Projects	879	330	(549)
TOTAL	11,600	5,784	(5,816)

Source: Appendix A

7. The net underspend is made up of budgets that are committed but have not yet been spent, some projects that will not go forward and overspends on some projects. These three elements are detailed at [Appendix A \(Col 8 – Variations and Col 9 – Slippage\)](#). Resources to meet the costs of budgets that are committed will also be slipped into 2015/16, subject to approval by the Executive.
8. Before considering scheme slippage for 2014/15, the following outline the major variations in the Programme as shown in Table 1 above:-
- **Housing Projects** – There is an underspend on housing projects of £3.07m. This includes the following variances:-
 - *Brierfield Mill (underspend of £1m)* – Councillors will be aware of the recent confirmation of the funding package required to progress this major scheme. Following this, and subject to due diligence, work is expected to start on site towards the end of the year and will require the Council's budget to be carried forward in support of this.
 - *Bradley (underspend of £329k)* - this underspend stems mainly from the acquisition of properties which have not progressed as quickly as anticipated and related demolition and environmental improvement works in the area. The level of slippage requested is broadly in line with that reported to Council in February, linked to the development of the 2015/16 capital programme.
 - *Whitefield Area, Nelson (underspend of £181k)* – The underspend here relates primarily to outstanding retention monies on the Presbytery site scheme together with the funding required for the re-opening of Every Street in 2015/16.

- *Contribution to Social Housing (underspend of £344k)* – This unspent budget is being carried forward to 2015/16 and is currently uncommitted. However, Councillors will recall that the budget must be used on social housing schemes in partnership with Housing Pendle;
- *Disabled Facilities Grants (underspend of £214k)* – funding from the County Council was utilised initially during the year with the balance of budget requested to be carried forward to 2015/16 in view of the demand for grant assistance,
- *Empty Clusters funding (underspend of £812k)* – this funding is earmarked for public realm improvements and the provision of loans to owners to help them bring empty properties back into use. Most of the funding was allocated in 2014/15 but a number of landlords did the work without taking up the loan. This can now be used across the Borough, as previously approved by the Executive.
- **Acquisition of Colne Health Centre** (*underspend of £350k*) – the budget represents a ‘provisional’ allocation agreed late in 2014 to enable the Council to acquire the site if the opportunity arose. This did not occur in 2014/15 but could do so during the current year hence the request to carry forward the unspent budget forward.
- **IT Strategy** – the unspent budget of £169k is being carried forward in support of the continuing implementation of the ICT Strategy. Amongst other things, in 2015/16 this will focus on the Council’s Website and the ongoing integration of back office systems with both the Customer Relationship Management System and the Website as more transactional type activity is directed to automated/self-serve channels.
- **Area Committees** – the underspend on Area Committee capital programmes is £288k as at 31st March 2015. The whole balance of the underspend is to be carried forward to 2015/16 to fund outstanding commitments;
- **Resource Procurement** – The underspend on Resource Procurement is £634k largely due to the following variances:-
 - £461k unspent re PEARL projects, details of which were reported to the Executive in May;
 - An underspend of £118k on the Lomeshaye Bridge Mill project; work is being undertaken by the Heritage Trust for the North West with grant assistance from the Council. The scheme is progressing and should complete in 2015/16.
- **Asset Management** – The main variances relate to a small number of Parks schemes which have been completed or are no longer required. The underspend is in line with that reported to Council in February in support of the 2015/16 capital programme.

Scheme Slippage 2014/15

9. Slippage relates to schemes that were not completed by 31st March 2015 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £5.76m. An analysis of these Schemes is provided at **column 9 of Appendix A**. The following table shows the capital outturn position adjusted for slippage:-

Table 2: Capital Outturn 2014/15 (post slippage)

	Variance (pre Slippage) £000	Slippage £000	Variance (Post Slippage) £000
Housing	(3,069)	3,083	14
Environmental, Roads, Street Lighting	(435)	425	(10)
Waste Collection	12	2	14
Community Safety	(136)	136	0
Resource Procurement	(634)	647	13
Asset Renewal	(570)	562	(8)
Parks and Recreation	(147)	71	(76)
Area Committees	(288)	288	0
Other Capital Projects	(549)	547	(2)
TOTAL	(5,816)	5,761	(55)

10. As Table 2 indicates, taking account of scheme slippage of £5.76m, the programme is underspent by £55k in 2014/15.

Available Capital Resources 2014/15 (excluding Borrowing)

11. The original estimate of available resources for capital expenditure in 2014/15, as reported to Council in February 2014, was £2.567m excluding borrowing. The final budgeted resources for 2014/15, taking into account adjustments for slippage from 2013/14 and other resources expected to be received during the year, amount to £4.584m (including monies received as a result of s106 agreements and other external grants and contributions).
12. A summary of the movement in available resources is provided on the first page of [Appendix A](#). The total budgeted capital resource in 2014/15 including borrowing is £11.573m.

Application of Capital Resources 2014/15

13. To help minimise borrowing costs in the short-term it is prudent to use all cash resources in hand to finance expenditure in the first instance and thereby reduce the Capital Financing Requirement, the notional measure of debt upon which debt charges are based.
14. General Fund Capital receipts of £376k have been used to fund expenditure during the year. In addition to the above, housing capital receipts of £1.565m were generated by the disposal of properties at the Presbytery site, in Nelson to Great Places in February 2015. These have been applied towards the associated housing capital expenditure.
15. The approved revenue contribution to capital expenditure of £932k has been applied fully in 2014/15. Of this sum, an amount of £351k stems from the Council's share of former RTB receipts under its agreement with Housing Pendle. As in previous years, 50% of this sum has been earmarked to support the further development of social housing.
16. The Council also received a capital grant in 2014/15 of £372k representing the Government's contribution towards the Council's provision of Disabled Facilities Grants. This grant, together with additional funding from the County Council of £152k, and grant recipient contributions of £2k has been used in full to help finance the overall cost of providing grants in the year.

17. During the year various other capital grants and contributions have been received and applied towards financing the associated capital expenditure. The most significant of these grants were:-
- a) £215k towards the Stephen Burke Cycling Hub; this included £150k from Sport England, the balance of £25k from British Cycling, £30k from the Lancashire Environmental Fund and £10k from Area Committees;
 - b) £641k Heritage Lottery grant, being stage payments of grant in support of the Lomeshaye Bridge Mill project.
18. Finally, £90k of the available balance of S106 Developers Contributions has been used to fund expenditure in the Programme. The unapplied balance of S106 monies will be carried forward to 2015/16.
19. The remaining unfunded expenditure has been financed by prudential borrowing of £1.25m.

Resources carried forward to 2015/16

20. Table 3 below summarises the net amount of resources that will be carried forward to 2015/16:

Table 3: Resources Carried Forward to 2015/16

	£000
Resources Available	11,573
Expenditure Financed	5,784
Balance of Resources Remaining	5,789

21. It is proposed to use the Net Available Resources carried forward to 2015/16 as shown in Table 4 below:

Table 4: Use of Resources Carried Forward to 2015/16

	£000
Net Available Resources c/fwd to 2015/16	5,761
Budget Slippage c/fwd to 2015/16	5,761
Variance	0

IMPLICATIONS

Policy

22. The application of capital resources is undertaken within the objectives of the Council's Capital Strategy and Asset Management Plan, both of which have been prepared with the intention that capital investment and performance will support the delivery of the Council's key corporate priorities.

Financial

23. The financial implications are as given in the report.

Legal

24. There are no legal implications arising directly from this report.

Risk Management

25. There are no risk management implications arising from this report.

Health and Safety:

26. There are no Health and Safety implications arising directly from this report.

Climate Change:

27. There are no climate change implications arising directly from this report. There are capital projects where sustainability is considered as part of the development of the project and where possible this is in compliance with the Council's policy on these matters.

Community Safety:

28. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

29. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A - Capital Programme – Capital Outturn 2014/15

LIST OF BACKGROUND PAPERS - Capital Programme Working Papers 2014/15