

REPORT OF: FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

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CAPITAL PROGRAMME – PROVISIONAL OUTTURN 2015/16

PURPOSE OF REPORT

1. This report informs the Executive of the provisional outturn position on the Council's capital programme for 2015/16.

RECOMMENDATIONS

2. The Executive is recommended to:
 - a) note the provisional outturn position on the Council's capital programme for 2015/16;
 - b) approve the proposals to carry forward budget slippage in the programme from 2015/16 to 2016/17.

REASONS FOR RECOMMENDATION

3. To inform the Executive of the outturn position for the Council's capital programme in 2015/16.

ISSUE

2015/16 Approved Capital Programme

4. At the Council meeting on 19th February 2015, Councillors approved a capital programme for 2015/16 of £7.64m. This included slippage from 2014/15, estimated at that time at £3.83m. 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 2014/15. This amounted to £5.76m, some £1.9m more than the slippage initially assumed in the programme ([see Appendix A, Column 4](#)) – details on this were reported to the Executive in June 2015;
 - b) changes to the programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the programme totaling £0.43m ([see Appendix A, Column 5](#)).

5. Taking into account these adjustments, the overall Capital Programme for 2015/16 totals £10m ([see Appendix A, Column 6](#)).

Draft (pre-audit) Capital Programme Outturn Position 2015/16

6. The draft (pre-audit) outturn position for the capital programme is expenditure of £2.51m, a net underspend of £7.48m when compared to the revised budget for the year. This is summarised in Table 1 below:-

Table 1: Capital Outturn 2015/16 (pre-slippage)

| | Revised Budget £000 | Final Outturn £000 | Variance £000 |
|--|------------------------|-----------------------|------------------|
| Housing | 4,422 | 1,139 | (3,283) |
| Car Parks, Flooding & Property acquisition | 475 | 364 | (111) |
| Waste Collection | 42 | 40 | (2) |
| Information & Communications Technology | 640 | 225 | (415) |
| Resource Procurement / Externally Funded | 2,785 | 168 | (2,617) |
| Asset Renewal | 825 | 284 | (541) |
| Parks and Recreation | 75 | 32 | (43) |
| Area Committees | 489 | 216 | (273) |
| Other Capital Projects | 243 | 43 | (200) |
| TOTAL | 9,996 | 2,511 | (7,485) |

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 to 2016/17, subject to approval by the Executive.
8. Before considering scheme slippage for 2015/16, 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 £3.28m with the main variances being:
 - *Brierfield Mill (Northlight - underspend of £1.56m)* – a report elsewhere on the agenda for this meeting provides an update on the current status of this project which entails the comprehensive redevelopment of the former mill buildings. Infrastructure works should start in July and the council's budget allocation will be required to contribute to the overall funding package for the scheme;
 - *Bradley (underspend of £285k)* - this underspend stems from the acquisition of properties which have not progressed as quickly as anticipated and related demolition and environmental improvement works in the area. In addition no further progress has been made on the compulsory purchase action as that requires a viable housing scheme to receive planning permission and funding being in place to develop such a scheme. Viability remains difficult 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 2016/17 capital programme;
 - *Contribution to Social Housing (underspend of £421k)* – due to changes in the Government's grant funding to registered providers we were unable to progress new affordable housing schemes during the year. This unspent budget is being carried forward to 2016/17 and is currently uncommitted. However, Councillors will recall that the budget must be used on social housing schemes in partnership with Housing Pendle;

- *Empty Clusters funding (underspend of £733k)* – this funding was earmarked for public realm improvements and the provision of loans to owners to help them bring empty properties back into use. The element of funding for the public realm works has now been spent. The Executive has received periodic updates on the scheme and one is provided elsewhere on this agenda. This highlights that despite a number of loans being allocated in many cases the loan is not actually claimed once works are carried out. We continue to offer this assistance to other empty home owners across the borough.
- **Acquisition of Colne Health Centre** (*underspend of £75k*) – The Council acquired the property in January 2016 along with the Corner Surgery for a combined price of £325,000. A report elsewhere on this agenda seeks approval to demolish the main health centre building and dispose of the former Corner Surgery in advance of options being developed for the future use of this town centre site. The council's remaining budget will support this activity if agreed by the Executive.
- **ICT Strategy / IDOX** – the unspent budget of £416k is being carried forward in support of the continuing implementation of the ICT Strategy. During 2016/17 this will support the completion of the IDOX software implementation to and provide a uniform property database together with further development and integration of back office systems with the Customer Relationship Management system and the website given the move towards greater automated/self-service for transactional activity.
- **Area Committees** – the underspend on Area Committee capital programmes is £273k as at 31st March 2016. The underspend is to be carried forward in full to 2016/17 to cover outstanding commitments;
- **Resource Procurement** – slippage proposed totaling £2.62m. This is linked to significant projects including the Lancashire Growth Deal, the Council's partnership contributions to Pearl (notably re Brierfield Mill) and the Brownfield Regeneration Fund. Periodic updates on these matters have been provided to the Executive.
- **Asset Renewal** (*underspend £583k*) – The main variances relate to budgets allocated for asset renewal and enhancement on those properties managed by the Leisure Trust and general properties managed by Liberata on behalf of the Council.

Scheme Slippage 2015/16

9. Slippage relates to schemes that were not completed by 31st March 2016 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £7.485m. An analysis of these Schemes is provided at **column 10 of Appendix A**. The following table shows the capital outturn position adjusted for slippage:

Table 2: Capital Outturn 2015/16 (post slippage)

| | Variance (pre Slippage) £000 | Slippage £000 | Variance (Post Slippage) £000 |
|--|---------------------------------------|------------------|--|
| Housing | (3,283) | 3,283 | 0 |
| Car Parks, Flooding & Property acquisition | (111) | 110 | (1) |
| Waste Collection | (2) | 2 | 0 |
| Information & Communications Technology | (415) | 415 | 0 |
| Resource Procurement / Externally Funded | (2,617) | 2,615 | (2) |
| Asset Renewal | (541) | 542 | 1 |
| Parks and Recreation | (43) | 42 | (1) |
| Area Committees | (273) | 273 | 0 |
| Other Capital Projects | (200) | 208 | 8 |
| TOTAL | (7,485) | 7,490 | 5 |

10. As Table 2 indicates, taking account of scheme slippage of £7.488m, the programme is marginally overspent by £5k in 2015/16.

Available Capital Resources 2015/16 (excluding Borrowing)

11. The original estimate of available resources for capital expenditure in 2015/16, as reported to Council in February 2015, was £1.401m excluding borrowing. The final budgeted resources for 2015/16, taking into account adjustments for slippage from 2014/15 and other resources expected to be received during the year, amount to £2.370m (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 2015/16 including borrowing is £9.976m.

Application of Capital Resources 2015/16

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 £613k have been used to fund expenditure during the year. This comprises the use of £337k received in the year and the application of £276k of receipts in hand to negate the need for borrowing.
15. The approved revenue contribution to capital expenditure of £837k has been applied in full. Of this sum, an amount of £153k stems from the Council's share of former RTB receipts under an agreement with Housing Pendle. As in previous years, 50% of this sum has been earmarked to support the future development of social housing.
16. A capital grant of £455k has been applied in 2015/16 being the Council's share of the Better Care Fund allocation administered via the County Council. This grant, together with grant recipient contributions of £7k has been used to finance the expenditure on disabled facilities 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) £56k from the Arts Council to help fund the cost of replacement seating at the Muni Theatre, Colne;
 - b) £99k grant funding from the Heritage Lottery under the Townscape Heritage Initiative in Whitefield, representing the final grant allocation towards this scheme.
18. The sum of £15k of the available balance of S106 Developers' contributions has been used to fund capital expenditure in the year. This relates to premises improvement grants in Colne funded from the residual Sainsbury's S106 monies.
19. Lastly, the Council received a payment on account from its insurers towards the reinstatement costs of the Spa at Nelson Wavelengths following the fire in August 2015. Costs incurred during the year of £111k have been funded from this.
20. As a result of the above all expenditure has been funded from capital 'cash' resources with no requirement for prudential borrowing in the year.

Resources carried forward to 2016/17

21. The total budget for expenditure to be slipped from 2015/16 to 2016/17 is £7.49m as shown in Table 2 above. To fund this expenditure in 2016/17 Table 3 below summarises the net amount of resources that will be carried forward:

Table 3: Resources Carried Forward to 2016/17

| | £000 |
|---|--------------|
| Prudential Borrowing | 7,318 |
| Grants and Contributions –balance of grants c/fwd | 172 |
| Balance of Resources Remaining | 7,490 |

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.

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 2015/16

LIST OF BACKGROUND PAPERS - Capital Programme Working Papers 2015/16