

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

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## **CAPITAL PROGRAMME – PROVISIONAL OUTTURN 2016/17**

### **PURPOSE OF REPORT**

1. This report informs the Executive of the provisional outturn position on the Council's capital programme for 2016/17.

### **RECOMMENDATIONS**

2. The Executive is recommended to:
  - a) note the provisional outturn position on the Council's capital programme for 2016/17;
  - b) approve the proposals to carry forward budget slippage on the programme from 2016/17 to 2017/18.

### **REASONS FOR RECOMMENDATION**

3. To inform the Executive of the provisional outturn position for the Council's capital programme in 2016/17.

### **ISSUE**

#### *2016/17 Approved Capital Programme*

4. At the Council meeting on 18<sup>th</sup> February 2016, Councillors approved a capital programme for 2016/17 of £7.95m. This included slippage from 2015/16, estimated at that time of £6.63m. 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 2015/16. This amounted to £7.49m, some £0.86m more than the slippage initially assumed in the programme ([see Appendix A, Column 4](#)) – details on this were reported to the Executive in June 2016;
  - b) changes to the programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the programme totaling £4.84m ([see Appendix A, Column 5](#)).

5. The main items giving rise to the adjustments of £4.84m are as follows:

	£'000
• Loan to Pendle Leisure Trust	1,100
• ACE Centre (part acquisition)	2,300
• Additional Disabled Facilities Grant	399
• Wavelengths Spa Fire (insurance monies)	634
• Social Housing (proceeds of RTB share)	171
• Misc 3 <sup>rd</sup> party grants/contributions	<u>207</u>
	4,811

6. Taking these adjustments in to account, the overall Capital Programme for 2016/17 totals £13.65m (see Appendix A, Column 6).

Draft (pre-audit) Capital Programme Outturn Position 2016/17

7. The draft (pre-audit) outturn position for the capital programme is expenditure of £4.013m, a net underspend of £9.63m when compared to the revised budget for the year. This is summarised in Table 1 below:-

**Table 1: Capital Outturn 2016/17 (pre-slippage)**

	Revised Budget £000	Final Outturn £000	Variance £000
Housing	4,409	1,276	(3,133)
Engineering works, Flooding & Community Safety	206	32	(174)
ACE Centre Acquisition & Loan to PLT	3,400	1,100	(2,300)
Waste Collection	49	34	(15)
Information & Communications Technology	501	121	(380)
Resource Procurement / Externally Funded	2,939	356	(2,583)
Asset Renewal	1,374	818	(556)
Parks and Recreation	88	57	(31)
Area Committees	516	214	(302)
Other Capital Projects	166	5	(161)
<b>TOTAL</b>	<b>13,648</b>	<b>4,013</b>	<b>(9,635)</b>

Source: Appendix A

8. 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 2017/18, subject to approval by the Executive.

9. Before considering scheme slippage for 2016/17, 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 £3.13m with the main variances being:

○ *Brierfield Mill (Northlight - underspend of £1.41m)* – 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. The council's budget allocation is required to contribute to the enabling and infrastructure elements of the project, including the acquisition of land at Glen Way and Clitheroe Road through Compulsory Purchase action.

- *Bradley (underspend of £179k)* - this underspend stems from the acquisition of the two remaining 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 with planning permission and funding being in place to develop such a scheme. Viability remains difficult in the area;
- *Contribution to Social Housing (underspend of £296k)* – during the year the Council contributed to 2 affordable housing developments in Colne delivered on behalf of the Together Housing Group. The unspent budget is being carried forward to 2017/18 and is currently uncommitted. However, Councillors will recall that the budget must be used on social housing schemes in partnership with Together Housing (in respect of agreements with Housing Pendle). A number of potential schemes are being considered with Together Housing;
- *Empty Clusters funding (underspend of £590k)* – this funding was originally 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 been spent. The Executive has received periodic updates on the Empty Home Loan scheme and has varied the scheme previously to broaden its appeal. Despite this, take up is low with enquiries not converting to loan advances. However, owners are often bringing the properties back into use without the use of the Council's loan funding once we have supported them by producing schedules setting out what work is required.
- *Disabled Facilities Grant (underspend of £497k)* – last year was the first under the Better Care Fund which resulted in a significant increase in the Council's grant allocation for DFGs. The grant received by the Council increased from £455k to £769k in 2016/17. There is a pipeline of grant applications which the team is working through and it can take time for the grant process to move from the status of 'approved' to 'completed'. Applicants are not obliged to use the Council to oversee the works so we do not always have control over the timescales for delivery. Whilst spending last year was below budget the grant allocation was fully committed at the end of the year.
- **Acquisition of ACE Centre, Nelson (Ground and First Floors)** – (*underspend of £2.3m*) – Whilst the acquisition was included in the capital programme during 2016/17 it was always intended to complete the transaction in 2017/18 so as to generate an additional saving in the first year – the background to which was reported to and agreed by the Executive and Council during 2016.
- **ICT Strategy / IDOX** – (*underspend of £380k*) – the unspent budget is required in support of the continuing implementation of the ICT Strategy. During 2017/18 this will support the completion of the IDOX software implementation to 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** – (*underspend of £302k*) – the underspend on the capital programme is to be carried forward in full to 2017/18 to cover outstanding commitments in respect of allocations agreed but not yet incurred;
- **Resource Procurement** – (*underspend of £2.58m*). These budgets are 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 and the intention is to carry the budgets forward in full.
- **Asset Renewal** (*underspend £556k*) – 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. These are held primarily as contingency type budgets in the event of any urgent works being required on grounds of health and safety.

Scheme Slippage 2016/17

10. Slippage relates to schemes that were not completed by 31<sup>st</sup> March 2017 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £9.574m. 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 2016/17 (post slippage)**

	Variance (pre Slippage) £000	Slippage £000	Variance (Post Slippage) £000
Housing	(3,133)	3,133	0
Engineering works, Flooding & Community Safety	(174)	174	0
ACE Centre Acquisition	(2,300)	2,300	0
Waste Collection	(15)	15	0
Information & Communications Technology	(380)	380	0
Resource Procurement / Externally Funded	(2,583)	2,522	(61)
Asset Renewal	(556)	556	0
Parks and Recreation	(31)	31	0
Area Committees	(302)	302	0
Other Capital Projects	(161)	161	0
<b>TOTAL</b>	<b>(9,635)</b>	<b>9,574</b>	<b>(61)</b>

11. As Table 2 indicates, after taking account of scheme slippage of £9.574m, the programme is underspent by £61k in 2016/17. As, reported in February, this represents an externally funded scheme which has now lapsed. The equivalent grant funding for the scheme also falls out of the programme.

Available Capital Resources 2016/17 (excluding Borrowing)

12. The original estimate of available resources for capital expenditure in 2016/17, as reported to Council in February 2016, was £0.83m excluding borrowing. The final budgeted resources for 2016/17, taking into account adjustments for slippage from 2015/16 and other resources expected to be received during the year, amount to £2.46m (including monies received as a result of insurance proceeds and other external grants and contributions). This variation in resources of £1.63m in year is primarily made up of the following:

	£'000
• Additional contribution from revenue budget	216**
• Disabled Facilities Grant allocation	399
• Insurance proceeds (Wavelengths Spa)	634
• Misc 3 <sup>rd</sup> party grants/contributions	<u>379</u>
	1,628

\*\*linked mainly to the share of Right to Buy Proceeds from Hsg Pendle

13. A summary of the movement in available resources is provided on the first page of **Appendix A**. The total budgeted capital resource in 2016/17 including borrowing is £13.65m.

### Application of Capital Resources 2016/17

14. Ordinarily, to help minimise borrowing costs in the short-term, it is prudent to use all capital 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.
15. Capital receipts of £282k as received during the year have been used to finance capital expenditure.
16. The approved revenue contribution to capital expenditure of £316k has been applied in full. Of this sum, an amount of £171k stems from the Council's share of former RTB receipts under an agreement with Housing Pendle. As in previous years, 50% of this sum will be earmarked to support the future development of social housing in the Borough.
17. Capital grant of £545k has been applied from the Council's allocation from the Better Care Fund administered via the County Council. This grant, together with contributions from applicants of £6k, has been used to finance the expenditure incurred on disabled facilities grants in the year.
18. 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 being:-
  - a) £50k from the County Council which was passported to Nelson Town Council in support of their acquisition of Unity Hall, Nelson;
  - b) Contributions from local town councils, (e.g. Brierfield (£66k) for works to back streets and Barnoldswick (£12.5k) re Ghyll Meadows flood wall scheme);
19. The sum of £14k from S106 Developers' Contributions has been used to fund capital expenditure. Of this, £4k relates to premises improvement grants in Colne funded from the residual Sainsbury's S106 monies with the remaining £10k being a payment to Old Laund Booth Parish Council towards a play area.
20. Lastly, the Council received payments on account from its insurers towards the reinstatement costs of the Spa at Nelson Wavelengths following the fire in August 2015. £634k has been applied towards expenditure on this scheme during the year.
21. After applying the above funding streams to the capital expenditure of £4.013m there remains a residual amount of £2.034m to be funded by prudential borrowing as shown below:

	£'m	£'m
Capital expenditure incurred in 2016/17		4.013
Funded by:		
○ Revenue contributions	(0.316)	
○ Capital receipts	(0.282)	
○ Grants and Contributions	<u>(1.381)</u>	<u>(1.979)</u>
Balance of expenditure funded by borrowing		2.034

### Resources carried forward to 2017/18

22. The total budget for expenditure to be slipped from 2016/17 to 2017/18 is £9.574m as shown in Table 2 above. To fund this expenditure in 2017/18 Table 3 below summarises the net amount of resources that will be carried forward:

**Table 3: Resources Carried Forward to 2017/18**

	<b>£000</b>
Prudential Borrowing	9,173
Grants and Contributions – balance of grants c/fwd	401
<b>Balance of Resources Remaining</b>	<b>9,574</b>

## **IMPLICATIONS**

### **Policy**

23. 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**

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

### **Legal**

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

### **Risk Management**

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

### **Health and Safety:**

27. There are no health and safety implications arising directly from this report.

### **Climate Change:**

28. There are no climate change implications arising directly from this report.

### **Community Safety:**

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

### **Equality and Diversity:**

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

## **APPENDICES**

[Appendix A](#) - Capital Programme – Capital Outturn 2016/17

**LIST OF BACKGROUND PAPERS** - Capital Programme Working Papers 2016/17