

**REPORT OF: CHIEF FINANCIAL OFFICER**  
**TO: POLICY AND RESOURCES COMMITTEE**  
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## **CAPITAL PROGRAMME – PROVISIONAL OUT-TURN 2017/18**

### **PURPOSE OF REPORT**

1. This report informs the Committee of the provisional out-turn position on the Council's capital programme for 2017/18.

### **RECOMMENDATIONS**

2. The Committee is recommended to:
  - a) note the provisional out-turn position on the Council's capital programme for 2017/18;
  - b) approve the proposals to carry forward budget slippage on the programme from 2017/18 to 2018/19.
  - c) Note the use of the CCTV Upgrade budget in 2018/19 on the sum of £9k as set out in paragraph 9 (g).

### **REASONS FOR RECOMMENDATION**

3. To inform the Committee of the provisional out-turn position for the Council's capital programme in 2017/18. This information is deemed provisional pending completion of the audit by Grant Thornton of the Council's accounts for 2017/18.

### **ISSUE**

#### **(A) 2017/18 Approved Capital Programme**

4. At the Council meeting on 23<sup>rd</sup> February 2018, Councillors approved a Capital Programme for 2017/18 of £12.4m. This included slippage from 2016/17, estimated at that time of £7.4m. During the year, there have been various adjustments to the programme as follows:-
  - i. additional budget provision arising from the actual slippage brought forward from 2016/17. This amounted to £9.6m, some £2.2m more than the slippage initially

assumed in the programme (see **Appendix A, Column 4**) – details on this were reported to the former Executive in June 2017;

- ii. changes to the programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the programme totaling £2.7m (see **Appendix A, Column 5**).

5. The main items giving rise to the adjustments of £2.7m are as follows:

	£'000
• Whitefield Housing schemes – payment to Homes England	519
• Additional Disabled Facilities Grant	243
• Lomeshaye Industrial Estate (Ph.1)	1,500
• Changes in waste collection – blue bins	282
• Misc 3 <sup>rd</sup> party grants/other funding contributions	195
	<b><u>2,739</u></b>

6. Taking these adjustments in to account, the overall Capital Programme for 2017/18 totals £17.37m (see **Appendix A, Column 6**).

**(B) Draft (pre-audit) Capital Programme Out-turn Position 2017/18**

7. The draft (pre-audit) out-turn position for the capital programme is expenditure of £9.22m, a net underspend of £8.15m when compared to the revised budget for the year. This is summarised in Table 1 below:-

**Table 1: Capital Out-turn 2017/18 (pre-slippage)**

	Revised Budget £000	Draft Out-turn £000	Variance £000
Housing	4,727	2,083	(2,644)
Waste Collection	348	246	(102)
Environmental, Roads, Street Lighting and Road Safety	78	44	(34)
Information & Communications Technology	469	171	(298)
Resource Procurement / Externally Funded	4128	105	(4,023)
Asset Renewal	735	169	(566)
Parks and Recreation	249	217	(32)
Area Committees	589	382	(207)
Acquisition of No.1 Market St and ACE Centre, Nelson (part)	5,799	5,790	(9)
Other Capital Projects	247	16	(231)
<b>TOTAL</b>	<b>17,369</b>	<b>9,223</b>	<b>(8,146)</b>

Source: Appendix A

8. The net underspend mainly consists of budgets that are committed but have not yet been spent, some projects that will not go forward and overspends on some projects. These 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 2018/19, subject to approval by this Committee.

9. Before considering scheme slippage for 2017/18, the following outline the major variations in the Programme as shown in Table 1 above:-
- a) **Housing Projects** – There is an underspend on housing projects of £2.64m with the main variances being:
- **Brierfield Mill** (*Northlight - underspend of £890k*) – 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. The land was vested with the Council but compensation payments are still being finalised.
  - **Bradley** (*underspend of £159k*) - this underspend stems from the acquisition of the one remaining property which has 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 but we are still looking at a range of potential options for housing development on the land.
  - **Contribution to Social Housing** (*underspend of £296k*) – in the previous year the Council contributed to 2 affordable housing developments in Colne delivered on behalf of the Together Housing Group. The unspent budget was carried forward to 2017/18 and is currently uncommitted. However, Councillors will recall that the budget must be used on affordable 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 through the new housing Joint Venture that is being established.
  - **Empty Homes Loans** (*underspend of £584k*) – Take up of the loans has been 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. It was agreed by the Executive on 14<sup>th</sup> December that £150k of this budget could be used towards Compulsory Purchase of empty properties.
  - **Disabled Facilities Grant** (*underspend of £639k*) – this year represents the second under the Better Care Fund which has resulted in a significant increase in the Council's grant allocation for DFGs. The grant received early in the financial year by the Council increased from £769k in 2016/17 to £836k in 2017/18. Subsequent to this a further £80k was received late in the year. There is a pipeline of grant applications which the housing 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, housing colleagues have confirmed that the grant allocation was fully committed at the end of the year.
- b) **Domestic Waste Collection Containers** – (*underspend of £100k*) – reflects the phased introduction of blue bins across the Borough linked to the revised collection arrangements agreed as part of the revenue budget savings for the current year.
- c) **ICT Strategy / IDOX** – (*underspend of £245k*) – the unspent budget is required in support of the continuing implementation of the ICT Strategy. During 2018/19 this will support the 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.
- d) **Area Committees** – (*underspend of £207k*) – the underspend on the capital programme is to be carried forward in full to 2018/19 to cover outstanding commitments in respect of allocations agreed but not yet incurred.
- e) **Resource Procurement** – (*underspend of £4.0m*). These budgets are linked to significant projects including the Lancashire Growth Deal, the Council's partnership contributions to Pearl (notably re Brierfield Mill) the Brownfield Regeneration Fund and the proposed extension of the Lomeshaye

Industrial Estate (phase 1). Whilst no spend has been incurred on the Brownfield Regeneration Fund, £470,800 of grants have been approved but they are not paid out until works have been completed. Periodic updates on these matters have been provided to Councillors previously and subject to approval the intention is to carry the unspent budgets forward in full.

- f) **Asset Renewal** (*underspend £598k*) - 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. Hence, it is proposed to carry the unspent budget forward in full.
- g) **CCTV Upgrade** (*underspend £87k*) – This budget is held for investment, maintenance and repair of CCTV systems in Pendle operated in partnership with those Town and Parish Councils using the Service Level Agreement with Blackburn with Darwen Council (the CCTV Hub). At the meeting of the Pendle Community Safety Partnership (CSP), held on 11<sup>th</sup> June, it was agreed to request approval to spend from the CCTV Upgrade capital budget to support initiatives in Brierfield and Barnoldswick in the sum of £4.5k per site. These are one-off investments costs only with the ongoing maintenance costs being the responsibility of the respective Town Councils.

### (C) Scheme Slippage 2017/18

10. Slippage relates to schemes that were not completed by 31<sup>st</sup> March 2018 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £8.152m. An analysis of these schemes is provided at **column 9 of Appendix A**. The following table shows the capital out-turn position adjusted for slippage:

**Table 2: Capital Out-turn 2017/18 (post slippage)**

	Variance (pre Slippage) £000	Slippage £000	Variance (Post Slippage) £000
Housing	(2,644)	2,644	-
Waste Collection	(102)	102	-
Environmental, Roads, Street Lighting and Road Safety	(34)	40	6
Information & Communications Technology	(298)	298	-
Resource Procurement / Externally Funded	(4,023)	4,023	-
Asset Renewal	(566)	566	-
Parks and Recreation	(32)	32	-
Area Committees	(207)	207	-
Acquisition of No.1 Market St and ACE Centre, Nelson (part)	(9)	9	-
Other Capital Projects	(231)	231	-
<b>TOTAL</b>	<b>(8,146)</b>	<b>8,152</b>	<b>6</b>

11. As Table 2 indicates, after taking account of scheme slippage of £8.152m, the programme is overspent by £6k in 2017/18. As reported previously, this reflects an overspend on highway works at May Tree Avenue, Brierfield.

## (D) Available Capital Resources 2017/18 (excluding Borrowing)

12. The original estimate of available resources for capital expenditure in 2017/18, as reported to Council in February 2017, was £1.46m excluding borrowing. The final budgeted resources for 2017/18, taking into account adjustments for slippage from 2016/17 and other resources received during the year, amount to £4.29m (including monies received from capital receipts and external grants/contributions). This variation in resources of £2.83m in year is primarily explained by the following:

	£'000
• Additional use of capital receipts	2,019*
• Reduced contribution from revenue budget	(18)
• Disabled Facilities Grant funding & contributions	263
• Misc 3 <sup>rd</sup> party grants/contributions/incl.S106	283
• Leasing	282**
	<u>2,829</u>

*\*Consists of £1.5m as agreed by Council for the extension of Lomeshaye Phase 1 plus £519k being repayment to Homes England (formerly the Homes and Communities Agency) of their share of receipts from sales in Whitefield.*

*\*\*Originally leasing was the assumed method of finance for the purchase of blue bins linked to revised collection arrangements; at the end of the year, capital receipts were used to fund the purchase rather than leasing which will reduce the costs falling on the revenue budget.*

13. A summary of the movement in available resources is provided on the first page of **Appendix A**. The total budgeted capital resource in 2017/18 including borrowing is £17.36m.

## (E) Application of Capital Resources 2017/18

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 £1.828m have been used to finance capital expenditure.
16. The approved revenue contribution to capital expenditure of £107k has been applied in full.
17. Capital grant of £815k 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 £27k, 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. These grants combined with the use of grants in hand have led to the sum of £354k being applied towards capital projects in 2017/18. The most significant of these being:-
- a) £118k from the Bradley Big Local to fund the cost of the play area at Hodge House, Nelson;
  - b) contributions from local town councils towards Area Committee schemes totaling £155k; the most significant being for back street works in Brierfield and Nelson;

- c) contributions from the County Council towards the cost of back street works in Nelson and the provision of warm home grants; the sum of £81k has been used to finance the programme.

19. After applying the above funding streams to the capital expenditure of £9.223m there remains a residual amount of £6.084m to be funded by prudential borrowing as shown below:

	£m	£m
Capital expenditure incurred in 2017/18		9.223
<i>Funded by:-</i>		
• Revenue contributions	(0.107)	
• Capital receipts	(1.828)	
• Grants and Contributions	<u>(1.204)</u>	<u>(3.139)</u>
Balance of expenditure funded by prudential borrowing		6.084

## (F) Resources Carried Forward into 2018/19

20. The total budget for expenditure to be slipped from 2017/18 to 2018/19 is £8.152m as shown in Table 2 above. To fund this expenditure in 2018/19 Table 3 below summarises the net amount of resources that will be carried forward:

**Table 3: Resources Carried Forward to 2018/19**

	£000
Prudential Borrowing	7,003
Capital receipts c/fwd	673
Grants and Contributions – balance of grants c/fwd	476
<b>Balance of Resources Remaining</b>	<b>8,152</b>

## IMPLICATIONS

### Policy

21. 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

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

### Legal

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

## **Risk Management**

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

## **Health and Safety**

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

## **Climate Change**

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

## **Community Safety**

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

## **Equality and Diversity**

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

## **APPENDICES**

**Appendix A** - Capital Programme – Capital Out-turn 2017/18

## **LIST OF BACKGROUND PAPERS**

Capital Programme Working Papers 2017/18