

**REPORT OF: CHIEF FINANCIAL OFFICER**

**TO: POLICY AND RESOURCES COMMITTEE**

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## **CAPITAL PROGRAMME – PROVISIONAL OUT-TURN 2018/19**

### **PURPOSE OF REPORT**

This report informs the Committee of the provisional out-turn position on the Council's Capital Programme for 2018/19.

### **RECOMMENDATIONS**

The Committee is recommended to:

- (1) Note the provisional out-turn position on the Council's Capital Programme for 2018/19;
- (2) Approve the proposals to carry forward budget slippage on the programme from 2018/19 to 2019/20.

### **REASON FOR RECOMMENDATIONS**

To inform the Committee of the provisional out-turn position for the Council's Capital Programme in 2018/19. This information is deemed provisional pending completion of the audit by Grant Thornton of the Council's accounts for 2018/19.

### **ISSUE**

#### **(A) 2018/19 Approved Capital Programme**

1. At the Council meeting on 22<sup>nd</sup> February 2018, Councillors approved a Capital Programme for 2018/19 of £7.6m. This included slippage from 2017/18, estimated at that time of £5.6m. 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 2017/18. This amounted to £8.1m, some £2.5m more than the slippage initially assumed in the programme (**see Appendix A, Column 4**) – details on this were reported to Policy and Resources Committee in June 2018;

- ii. changes to the programme for supplementary allocations, adjustments reflecting the receipt of additional external funding and virements within the programme totaling £0.8m (see **Appendix A, Column 5**).

5. The main items giving rise to the adjustments of £0.8m are as follows:-

	£000
• Additional Disabled Facilities Grant	322
• Flood Alleviation in Barnoldswick	300
• Flood Alleviation in Earby	163
• Other adjustments	<u>8</u>
	<b><u>793</u></b>

6. Taking these adjustments in to account, the overall Capital Programme for 2018/19 totals £10.9m (see **Appendix A, Column 6**).

#### **(B) Draft (pre-audit) Capital Programme Out-turn Position 2018/19**

7. The draft (pre-audit) out-turn position for the capital programme is expenditure of £2.712m, a net underspend of £8.228m when compared to the revised budget for the year. This is summarised in Table 1 below:-

**Table 1: Capital Out-turn 2018/19 (pre-slippage)**

	Revised Budget £000	Draft Out-turn £000	Variance £000
Housing	3,776	904	(2,872)
Waste Collection	257	262	5
Environmental, Roads, Street Lighting and Road Safety	572	197	(375)
Information & Communications Technology	506	144	(362)
Resource Procurement / Externally Funded	4,227	641	(3,587)
Asset Renewal	618	174	(444)
Parks and Recreation	400	224	(176)
Area Committees	407	153	(254)
Other Schemes	177	14	(163)
<b>TOTAL</b>	<b>10,940</b>	<b>2,712</b>	<b>(8,228)</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 small 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 2019/20, subject to approval by this Committee.
9. Before considering scheme slippage for 2018/19, 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 £2.872m with the main variances being:

- **Brierfield Mill** (*Northlight - underspend of £815k*) – 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. The infrastructure works are ongoing and are also receiving funding from Growth Deal and Lancashire County Council, so Pendle's funding is being spent in a way that ensures that the drawdown of grant funding is maximised.
  - **Bradley** (*underspend of £127k*) – The underspend relates to costs of compulsory purchase. 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. We are currently discussing the opportunities for a Supported Housing scheme with several organisations.
  - **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 2018/19 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 PEARL Together.
  - **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 previously agreed by the former Executive that £150k of this budget could be used towards Compulsory Purchase of empty properties.
  - **Disabled Facilities Grant** (*underspend of £984k*) – this year represents the third 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 £902k in 2018/19. Subsequent to this a further £99k was received later in the year. There is a report elsewhere on the Agenda for this meeting that provides further details of the position with Disabled Facilities Grants.
- b) **Environmental, Roads, Street Lighting and Road Safety** – (*underspend of £375k*) – The flood alleviation works in Barnoldswick and Earby have not been completed in 2018/19. Barnoldswick works are due to be completed in October 2019 and Earby during the summer.
- c) **ICT Strategy / IDOX** – (*underspend of £362*) – the unspent budget is required in support of the continuing implementation of the ICT Strategy. During 2019/20 this will support the further development and integration of back office systems, mobile working and review of telephony.
- d) **Resource Procurement** – (*underspend of £3.587m*). 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). 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.
- e) **Asset Renewal** (*underspend £444k*) - 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.
- f) **Parks** (*underspend £176k*) – Not all cost had been incurred for the relocation of the MUGA from Vivary Way, it has been dismantled and due to be erected in 2019/20, building a Niche Wall in Barrowford cemetery and the replacement of parks vehicles and plant.

- g) **Area Committees** – (underspend of £254k) – the underspend on the capital programme is to be carried forward in full to 2019/20 to cover outstanding commitments in respect of allocations agreed but not yet incurred.

### (C) Scheme Slippage 2018/19

10. Slippage relates to schemes that were not completed by 31<sup>st</sup> March 2019 and therefore require carrying over into the new financial year. A review of the capital programme for the year has identified scheme slippage totaling £8.230m. 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 2018/19 (post slippage)**

	Variance (pre Slippage) £000	Slippage £000	Variance (Post Slippage) £000
Housing	(2,872)	2,859	(13)
Waste Collection	5	-	5
Environmental, Roads, Street Lighting and Road Safety	(375)	375	-
Information & Communications Technology	(362)	362	-
Resource Procurement / Externally Funded	(3,587)	3,587	-
Asset Renewal	(444)	445	1
Parks and Recreation	(176)	185	9
Area Committees	(254)	254	-
Other Schemes	(163)	163	-
<b>TOTAL</b>	<b>(8,228)</b>	<b>8,230</b>	<b>2</b>

11. As Table 2 indicates, after taking account of scheme slippage of £8.230m, the programme is overspent by £2k in 2018/19.

### (D) Available Capital Resources 2018/19 (excluding Borrowing)

12. The original estimate of available resources for capital expenditure in 2018/19, as reported to Council in February 2018, was £3.3m excluding borrowing. The final budgeted resources for 2018/19, taking into account adjustments for slippage from 2017/18 and other resources received during the year, amount to £3.9m (including monies received from capital receipts and external grants/contributions). This variation in resources of £0.6m in year is primarily explained by the following:-

	£000
• Less Capital Receipts slippage from 2017/18	(323)
• Disabled Facilities Grant	387
• Flood Alleviation works in Barnoldswick	300
• Flood Alleviation works in Earby	135
• Use of s106 Contributions	110
<b>Total Variation</b>	<b>609</b>

13. A summary of the movement in available resources is provided on the first page of **Appendix A**. The total budgeted capital resource in 2018/19 including borrowing is £10.940m as per the Revised Estimate in Table1.

## (E) Application of Capital Resources 2018/19

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 £1.622m have been used to finance capital expenditure.
16. The revenue contribution to capital expenditure in 2018/19 is £25k.
17. Capital grants of £777k have 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 £71k, 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 and s106 Developer Contributions have led to the sum of £288k being applied towards capital projects in 2018/19. The most significant of these being:-
  - a) £57k to fund the flood alleviation work at Barnoldswick;
  - b) £120k to fund the flood alleviation work at Earby;
  - c) £42k to fund the BMX Pump Track;
  - d) £23k to fund Area Committee capital expenditure.
19. After applying the above funding streams to the capital expenditure of £2.712m (Table 1) there was no residual amount that required to be funded by prudential borrowing as shown below:

	£m	£m
Capital expenditure incurred in 2018/19		2.712
<i>Funded by:-</i>		
• Revenue contributions	(0.025)	
• Capital receipts	(1.622)	
• Grants and Contributions	<u>(1.065)</u>	<u>(2.712)</u>
Capital Exp. – No requirement to fund by prudential borrowing		<b>NIL</b>

## (F) Resources Carried Forward into 2019/20

20. The total budget for expenditure to be slipped from 2018/19 to 2019/20 is £8.230m as shown in Table 2 above. To fund this expenditure in 2019/20 Table 3 below summarises the net amount of resources that will be carried forward:

**Table 3: Resources Carried Forward to 2019/20**

	<b>£000</b>
Prudential Borrowing	7,002
Capital receipts c/fwd	254
Grants and Contributions – balance of grants c/fwd	974
<b>Balance of Resources Remaining</b>	<b>8,230</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. There are no additional financial implications arising directly from the recommendations within this report. The Capital Programme slippage to be transferred from 2018/19 into the 2019/20 Programme is contained within the report in Table 3 above and **Appendix A, Column 9**.

### **Legal**

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

### **Risk Management**

24. There are no risk management implications arising directly from the recommendations within this report.

### **Health and Safety**

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

### **Climate Change**

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

## **Community Safety**

27. There are no community safety issues arising directly from the recommendations within this report.

## **Equality and Diversity**

28. There are no equality and diversity issues arising directly from the recommendations within this report.

## **APPENDICES**

**Appendix A** - Capital Programme – Capital Out-turn 2018/19

## **LIST OF BACKGROUND PAPERS**

Capital Programme Working Papers 2018/19