



<u>Committee and Date</u>
Cabinet 13 November 2013
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<u>Item</u>
8
<u>Public</u>

CAPITAL MONITORING REPORT – PERIOD 6 2013/14

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1. Summary

1.1 The purpose of this report is to inform Members of the current position for the Council’s 2013/14 to 2016/17 capital programme taking into account the latest monitoring information on the progress of the schemes, any necessary budget increases and decreases and the re-profiling of budgets between 2013/14 and future years. The report reflects:

- The re-profiled 2013/14 budget of £59.8m and the future years capital programme budget;
- Expenditure to date of 30.7% of the revised budget;
- A projected outturn in line with the re-profiled budget of £59.8m; and
- The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

- A. Approve budget variations of £4.7m to the 2013/14 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2013/14 capital budget of £59.8m.
- B. Approve the re-profiled capital budgets of £54m for 2014/15 and £15.4m for 2015/16 as detailed in Appendix 1/Table 4.
- C. Accept the expenditure to date of £18.3m, representing 30.7% of the revised capital budget for 2013/14, with 50% of the year having elapsed.

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3. Risk Assessment and Opportunities Appraisal

3.1 Risk assessments are undertaken as part of the evaluation of all capital bids.

- 3.2 Capital receipt levels and the timing of receipts are dependant on planning approvals and prevailing market conditions.
- 3.3 Environmental appraisals are carried out for individual schemes as appropriate.
- 3.4 Community consultations are carried out for individual schemes as appropriate.

4. Financial Implications

- 4.1 This report considers the capital spend within the capital programme for 2013/14 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.

5. Background

- 5.1 The capital programme for 2013/14 and future years, was updated as part of the Capital Strategy 2013/14 to 2016/17 report, approved by Council 28 February 2013. This included updated allocations of capital grants and followed a review of internally financed schemes to re-prioritise schemes based on current priorities and to ensure the programme is affordable based on the projected level of capital resources available to the Council. The Council's capital programme is subject to regular review. The next monitoring report will be submitted to Cabinet for Period 9.

6. Original and latest proposed capital programme for 2013/14

- 6.1 The capital budget for 2013/14 is subject to change, the largest element being slippage from 2012/13 and re-profiling into future years. In Period 6 there has been a net budget decrease of £4.7m, compared to the position reported at Period 6 2013/14. Table 1 summarises the overall movement, between that already approved, and changes in Period 5 that require approval.

Table 1: Revised Capital Programme Period 6 2013/14

Service Area	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 5 13/14	Period 6 budget changes to be approved	Revised 2013/14 Capital Programme Period 6
General Fund				
Commissioning	46,668,987	(6,269,431)	(3,583,014)	36,816,542
Adult Services	1,531,768	69,644	(700,000)	901,412
Children's Services	12,139,904	2,531,562	11,291	14,682,757
Resources & Support	2,939,136	(603,054)	(562,137)	1,773,945
Total General Fund	63,279,795	(4,271,279)	(4,833,860)	54,174,656
Housing Revenue Account	5,131,300	340,798	152,075	5,624,173
Total Approved Budget	68,411,095	(3,930,481)	(4,681,785)	59,798,829

6.2 Full details of all budget changes are provided in Appendix One to this report. A summary of the significant changes (over £0.5m and Corporate Resources) are detailed below:

- Re-profiling of £3.9m on schemes under Commissioning. This includes £1.9m against the Infrastructure & Growth – Growth Point budget; the majority of this was against the Flaxmill project based on the latest projected expenditure in 2013/14. £2m has been re-profiled under Sustainability, against the biomass renewable heat incentive scheme budget, as a result of the withdrawal of the original appointed contractor. The scheme will now be retendered to initially provide biomass boilers in 3 schools and if these are successful the programme will then be rolled out further.
- Re-profiling of £700,000 against Adult Social Care Schemes for Telecare, Mobile & Flexible working, Kempfield and Market Drayton Raven site development, based on expected spend levels in 2013/14.
- £152,000 has been allocated from capital receipts for the repurchase of 2 properties previously sold under right to buy; these are funded from capital receipts generated from HRA non right-to-buy disposals, which under the Council policy are ring fenced to the HRA.

7. Current Capital Programme and Forecast Outturn

7.1 The capital programme is reviewed on a regular basis to re-profile the budget to reflect the multi-year nature of capital schemes, whereby spend may slip into later years. However, it is possible that a level of underspend or overspend may be experienced against the revised capital budget at outturn. Outturn projections are incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget. Table 2 summarises the outturn position by service area for 2013/14.

Table 2: Current Capital Programme and Forecast Outturn Period 6 2013/14

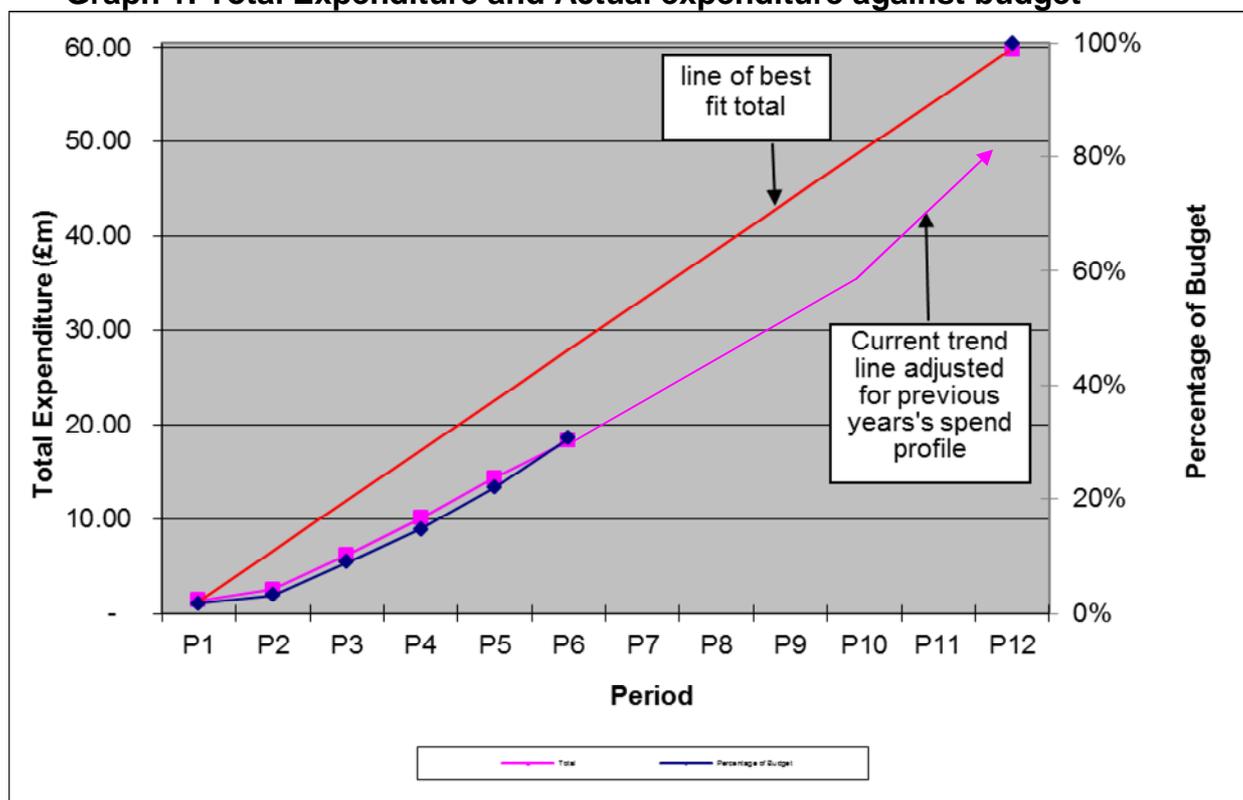
	2013/14 Revised Capital Programme	2013/14 Forecast Outturn	Variance
General Fund			
Expenditure	54,174,656	54,174,656	0
Financing	(54,174,656)	(54,174,656)	0
Shortfall/(surplus) In Resources	0	0	0
Housing Revenue Account			
Expenditure	5,624,173	5,624,173	0
Financing	(5,624,173)	(5,624,173)	0
Shortfall/(surplus) In Resources	0	0	0

8. Actual Expenditure to Date – is the programme being delivered to plan?

8.1 The actual capital expenditure at Period 6 is £18.3m, which represents 30.7% of the revised capital budget at Period 6, 50% of the year. Graph One below shows actual expenditure by Period and actual expenditure on the total capital programme by Period as a percentage of the total budget. Although expenditure appears low, this is in line with previous years and the level of works that were expected in the first six months of the financial year. Expenditure is expected to increase, with a number of schemes planned to

commence in the second half of the year and once the full impact of the Learning and Skills school summer holiday period works programme is reflected in spend. There may, however be the opportunity for further re-profiling later in the year as schemes are delivered and this will improve the affordability of the programme in 2013/14. The next monitoring report will be prepared for Period 9 and the programme should be sufficiently advanced at that stage to quantify any further slippage required for the year.

Graph 1: Total Expenditure and Actual expenditure against budget



9. Financing of the capital programme

9.1 Appendix 1 provides a full summary of the financing of the 2013/14 capital programme. Table 3 summarises the financing sources and changes made to Period 5 and to be approved in Period 6.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 5 13/14	Period 6 budget changes to be approved	Revised 2013/14 Capital Programme Period 6
Self-Financed Prudential Borrowing*	9,205,671	(6,080,037)	(1,981,085)	1,144,549
Government Grants	34,305,175	(3,752,538)	(28,514)	30,524,123
Other Grants	1,009,669	67,415	84,278	1,161,362
Other Contributions	877,095	736,029	10,000	1,623,124
Revenue Contributions to Capital	2,677,800	1,132,650	275,577	4,086,027
Major Repairs Allowance	3,200,000	9,905	-	3,209,905
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135,685	3,956,095	(3,042,041)	18,049,739
Total Confirmed Funding	68,411,095	(3,930,481)	(4,681,785)	59,798,829

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

10. Projected Longer Term Capital Programme to aid Medium Term Financial Plan

10.1 The updated capital programme for 2014/15 to 2016/17 is summarised by year and financing in Table 4 below:

Table 4: Capital Programme 2014/15 to 2016/17

Service Area	2014/15	2015/16	2016/17
General Fund			
Commissioning	32,907,890	12,031,134	-
Adult Services	1,464,663	-	-
Children's Services	10,491,545	-	-
Resources & Support	150,000	50,000	-
Total General Fund	45,014,098	12,081,134	-
Housing Revenue Account	8,930,890	3,287,090	-
Total Approved Budget	53,944,988	15,368,224	-
Financing			
Self-Financed Prudential Borrowing*	2,681,085	-	-
Government Grants	32,602,970	-	-
Other Grants	167,697	-	-
Other Contributions	91,162	-	-
Revenue Contributions to Capital	3,530,371	300,000	-
Major Repairs Allowance	5,700,000	3,200,000	-
Corporate Resources (Capital Receipts/ Prudential Borrowing)	9,171,703	11,868,224	-
Total Confirmed Funding	53,944,988	15,368,224	-

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

10.2 Following the Capital Strategy 2013/14 to 2016/17 report the above programme has been made more affordable by matching capital receipts financing to projected receipts and reducing the potential element of corporately financed prudential borrowing that may be required and the associated ongoing revenue costs. The Corporate Resources financing line above is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. See section 11 for the current projected split.

11. Capital Receipts Position

11.1 The current capital programme is reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. Table 5 below, summarises the current allocated and projected capital receipt position across 2013/14 to 2015/16. A RAG analysis has been included for capital receipts projected in 2013/14, based on the time progress in generating them by the end of each financial year. Those marked as green are where they are on time for completion by the end of the financial year, amber are where there is a risk of slippage and red are where there is a high risk of slippage. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 5: Projected capital receipts position

	2013/14 £	2014/15 £	2015/16 £
Corporate Resources Allocated in Capital Programme	18,049,739	9,171,703	11,868,224
To be allocated from Ring Fenced Receipts	130,000	2,839,518	-
Total Commitments	18,179,739	12,011,221	11,868,224
Capital Receipts in hand/projected:			
Brought Forward in hand	12,393,574	96,270	13,818,204
Generated - Year to Date	4,739,554	-	-
Projected - Green	506,476	-	-
Projected - Amber	636,404	-	-
Projected – Red (included in 2014/15)		-	-
Future Years	-	25,733,156	137,090
Total in hand/projected	18,276,009	25,829,426	13,955,294
Shortfall / (Surplus) to be financed from Prudential Borrowing	(96,270)	(13,818,204)	(2,087,070)

- 11.2 Capital receipts of £4.7m have been generated in the six months of 2013/14. A further £4.5m is currently being targeted for 2013/14. However, on the time RAG ratings £3.4m is rated as red (high risk of slipping to 2014/15). In table 5 above, those rated as red have been excluded from the 2013/14 projections due to the high risk around them being completed in this financial year. Based on the current capital programme at period 6, following the further slippage in this period (see section 6), if the revised programme is delivered in full and those receipts rated as green and amber are all completed in year, there will be sufficient receipts to finance the programme without the requirement for any prudential borrowing.
- 11.3 Work is also on-going to generate further receipts for 2013/14, including progressing those currently rated as red. These include a number of lots identified for an auction at the end of the calendar year, which if sold at the auction will move from red to green status as they will complete this year.
- 11.4 Based on the current projected receipts for future years above, there would be sufficient receipts to finance the current capital programme, however, a number of these require significant work to bring these disposals to completion and due to the nature of the process involved, many larger disposals will generally take at least 12-18 months to complete. These will be subject to further refinement as part of the 2014/15 Capital Strategy and further assets will be identified for disposal as part of the ongoing asset review work.

12. Unsupported borrowing and the revenue consequences

- 12.1 The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the prudential code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision (MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing. The current PWLB borrowing rate over 25 years is around 3.8% and is projected to remain at around 3.9% in 2013/14. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £0.079m (MRP and

interest cost) in the following year, reducing by £1,560 each year over the 25 year period. Based on the current capital receipt projections (see section 11), there is no unsupported borrowing requirement. Although this is dependent on delivering the projected capital receipts in full and the capital programme being delivered in full.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Capital Strategy 2014/15 to 2016/17 – Council 28 February 2013
Capital Monitoring Report – Period 10 2012/13 – Cabinet 13 March 2013
Capital Monitoring Report – Period 11 2012/13 – Cabinet 17 April 2013
Capital Outturn Report – 2012/13 – Council 18 July 2013
Capital Monitoring Report – Period 3 2013/14 – Cabinet 24 July 2013
Capital Monitoring Report – Period 4 2013/14 – Cabinet 18 September 2013
Capital Monitoring Report – Period 5 2013/14 – Cabinet 16 October 2013

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council.

Portfolio holders

Local Member

All

Appendices

1. Capital Budget and Expenditure 2013/14