Shropshire Council	Committee and Date **Cabinet** 19 February 2014	Item 9 Public

CAPITAL MONITORING REPORT – PERIOD 9 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 £52.1m and the future years capital programme budget;
- Expenditure to date of 55.5% of the revised budget;
- A projected outturn in line with the re-profiled budget of £52.1m; and
- The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

A. Approve budget variations of £7.7m to the 2013/14 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2013/14 capital budget of £52.1m.

B. Approve the re-profiled capital budgets of £58.3m for 2014/15, £13.5m for 2015/16 and £5.3m for 2016/17 as detailed in Appendix 1/Table 4 and subject to the approval of the Capital Strategy 2014/15 to 2016/17 report, also on this Cabinet agenda.

C. Accept the expenditure to date of £28.9m, representing 55.5% of the revised capital budget for 2013/14, with 75% 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.

5.2 A further update of the capital programme has been undertaken and an updated Capital Strategy 2014/15 to 2016/17 report is included on this Cabinet agenda and will be presented to Council on 27 February 2014 for final approval.

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. Across Periods 7-9 there has been a net budget decrease of £7.7m, compared to the position reported at Period 6 2013/14. Table 1 summarises the overall movement, between that already approved, and changes for Periods 7-9 that require approval.

Table 1: Revised Capital Programme Period 9 2013/14

Service Area	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 6 13/14	Period 7-9 budget changes to be approved	Revised 2013/14 Capital Programme Period 9
General Fund				
Commissioning	46,668,987	(9,852,445)	(2,445,570)	34,370,972
Adult Services	1,531,768	(630,356)	(98,791)	802,621
Children's Services	12,139,904	2,542,853	(2,993,453)	11,689,304
Resources & Support	2,939,136	(1,165,191)	(575,062)	1,198,883
Total General Fund	**63,279,795**	**(9,105,139)**	**(6,112,876)**	**48,061,780**
Housing Revenue Account	5,131,300	492,873	(1,630,000)	3,994,173
Total Approved Budget	**68,411,095**	**(8,612,266)**	**(7,742,876)**	**52,055,953**

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:

- £885,000 added to the programme across 2013/14 to 2015/16 for grant to Community Led Affordable Housing schemes. This is financed from New Homes bonus monies and was previously agreed as part of the allocation of New Homes Bonus.
- £171,000 for the Shared Development scheme at Mount Pleasant, from the ring fenced capital receipt generated from the sale of the land at the site to the developer. The land has previously been approved to be used for this scheme and the part provided for affordable housing by the developer has transferred. The capital receipt is been used to finance the Council investment in a Supported Living bungalow and a new car park for the school.
- Biomass boiler scheme has been removed from the Capital programme as is not feasible to proceed in current form (£2.5m across 2013/14 & 2014/15, financed from self-financed Prudential Borrowing).
- Re-profiling of £2.8m on schemes under Commissioning. This includes £722,000 against Depot improvements, with the majority of works now planned for 2014/15. £435,000 against Housing Health based on the expected profile of when grants will be drawn down. £365,000 against Enterprise & Business, the majority due to delays in the delivery of the Shrewsbury Business Park Phase 2 extension. £383,000 against the Growth Point based on remaining programme of works for 2013/14.
- Re-profiling of £2.9m on schemes under Children's Services of which £348,000 is against Children's Safeguarding due to schemes that will now not be delivered until 2014/15 and £2.6m against Learning & Skills. This is based on schemes that can now not be delivered until 2014/15 and unallocated funding that will not be allocated to schemes until 2014/15. The most significant areas are £850,000 on Primary Schools, £460,000 on DFC and £300,000 on Special Education Needs.
- Re-profiling of £1.6m under the Housing Revenue Account programme, due to delays in delivering the programme of works for 2014/15.
- Details of new grant allocations and budget re-profiles for future years are included Capital Strategy 2014/15 to 2016/17 report, also on this Cabinet agenda.

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 9 2013/14

	2013/14 Revised Capital Programme	2013/14 Forecast Outturn	Variance
General Fund			
Expenditure	48,061,780	48,061,780	0
Financing	(48,061,780)	(48,061,780)	0
Shortfall/(surplus) In Resources	**0**	**0**	**0**
Housing Revenue Account			
Expenditure	3,994,173	3,994,173	0
Financing	(3,994,173)	(3,994,173)	0
Shortfall/(surplus) In Resources	**0**	**0**	**0**

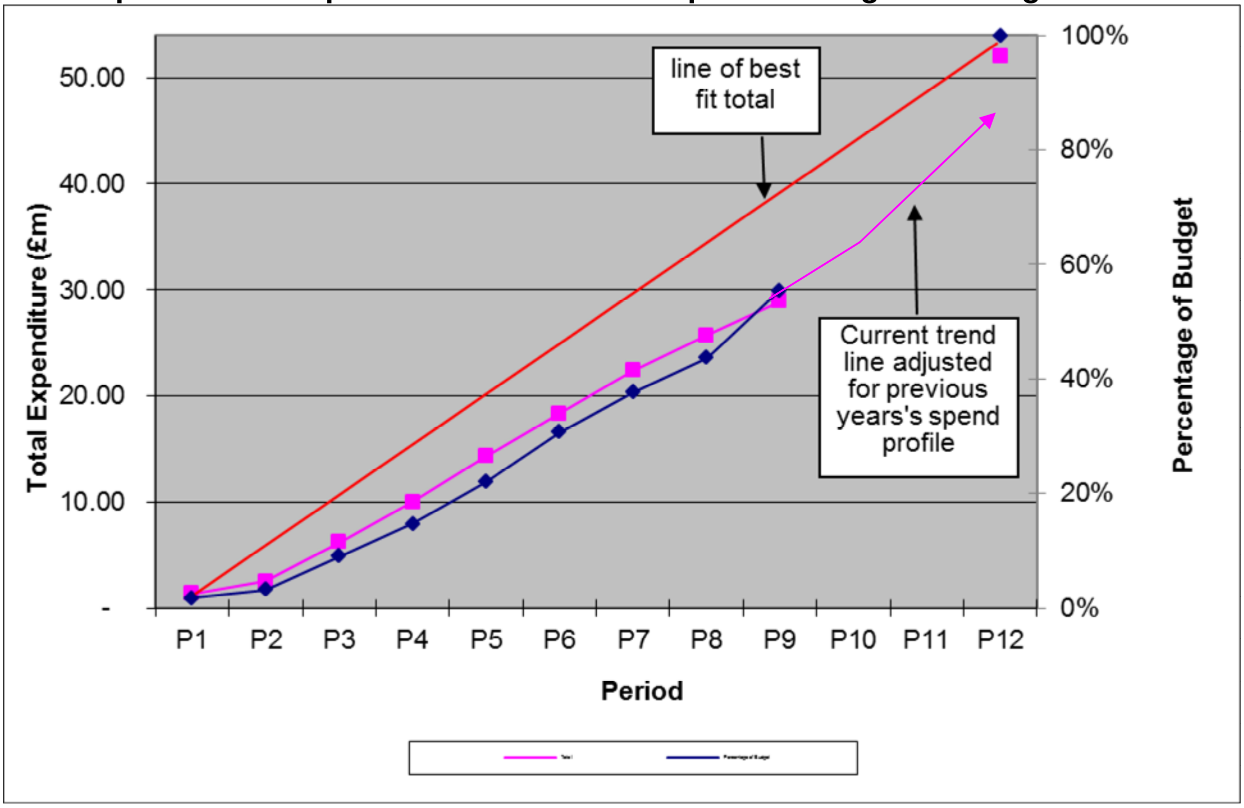
7.2 The 2013/14 capital programme is currently within the re-profiled budget; however there have been some delays on the delivery of three schemes, which may have implications on the 2014/15 Capital Programme. The scheme details are as follows:

- Whitchurch Civic Centre: Scheme has been delayed due to unforeseen problems encountered on the scheme relating to the age and original construction of the building. This has resulted in a delay in the completion date of the scheme and the budget has been re-profiled accordingly. The delay in the scheme may also result in an overspend on the final scheme costs; The delay in the scheme may also result in an overspend on the final scheme costs; officers are looking to mitigate any potential costs that may fall to the authority.
- Shrewsbury Music Hall: As has been widely reported previously, the Shrewsbury Music Hall project is behind its original delivery schedule. However, the project has picked up momentum and working to a spring 2014 handover date.
- Shrewsbury Business Park Phase 2 extension: scheme completion date has been delayed due to delays in the utilities companies connecting services, which has delayed contractor completion. The budget has been re-profiled accordingly and the scheme is currently within budget.

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

8.1 The actual capital expenditure at Period 9 is £28.9m, which represents 55.5% of the revised capital budget at Period 9, 75% 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 above previous years and the level of works that were expected in the first nine months of the financial year. Expenditure is expected to increase, with a number of significant schemes still planned to incur significant expenditure in the last quarter of the year including the 2013/14 Highways resurfacing programme and the first payments due to be made against the Shropshire Broadband scheme.

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 6 and to be approved in Periods 7 to 9.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 6 13/14	Period 7-9 budget changes to be approved	Revised 2013/14 Capital Programme Period 9
Self-Financed Prudential Borrowing*	9,205,671	(8,061,122)	(1,218,161)	(73,612)
Government Grants	34,305,175	(3,781,052)	(1,217,272)	29,306,851
Other Grants	1,009,669	151,693	(5,053)	1,156,309
Other Contributions	877,095	746,029	(138,503)	1,484,621
Revenue Contributions to Capital	2,677,800	1,408,227	(18,365)	4,067,662
Major Repairs Allowance	3,200,000	9,905	(593,314)	2,616,591
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135,685	914,054	(4,552,208)	13,497,531
Total Confirmed Funding	**68,411,095**	**(8,612,266)**	**(7,742,876)**	**52,055,953**

***** 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 subject to approval as part of the Capital Strategy 2014/15 to 2016/17 report, which is also included on this Cabinet agenda, The proposed programme 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	33,394,659	8,152,534	3,500,000
Adult Services	1,419,791	314,663	-
Children's Services	13,173,406	1,709,784	1,795,273
Resources & Support	268,000	50,000	50,000
Total General Fund	**48,255,856**	**10,226,981**	**5,345,273**
Housing Revenue Account	10,090,890	3,287,090	-
Total Approved Budget	**58,346,746**	**13,514,071**	**5,345,273**
Financing			
Self-Financed Prudential Borrowing*	261,142	-	-
Government Grants	34,408,091	1,709,784	1,795,273
Other Grants	442,303	-	-
Other Contributions	382,512	-	-
Revenue Contributions to Capital	2,805,294	311,400	-
Major Repairs Allowance	6,293,314	3,200,000	-
Corporate Resources (Capital Receipts/ Prudential Borrowing)	13,754,090	8,292,887	3,550,000
Total Confirmed Funding	**58,346,746**	**13,514,071**	**5,345,273**

***** 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 2014/15 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

Detail	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Corporate Resources Allocated in Capital Programme	13,497,531	13,754,090	8,292,887	3,550,000
To be allocated from Ring Fenced Receipts	98,435	1,885,239	1,456,660	,762,500
Total Commitments	**13,595,966**	**15,639,329**	**9,749,547**	**5,312,500**
Capital Receipts in hand/projected:				
Brought Forward in hand	12,393,574	5,861,934		
Generated - Year to Date	5,747,555			
Projected - Green	706,190			
Projected - Amber	460,080			
Projected - Red	150,501			
Future Years – 'Green'		7,154,465	2,380,000	4,000,000
Total in hand/projected	**19,457,900**	**13,016,399**	**2,380,000**	**4,000,000**
Shortfall / (Surplus) to be financed from Prudential Borrowing	**(5,861,934)**	**2,622,930**	**7,369,547**	**1,312,500**
Further Assets Being Considered for Disposal		13,593,915	6,836,250	3,595,000

11.2 Capital receipts of £5.7m have been generated in the first nine months of 2013/14. A further £1.3m is currently being targeted for 2013/14. The majority of this should complete by the end of this financial year as relates to properties sold at auction that are due to complete this year. Based on the current capital programme at period 9, following the further slippage in this period (see section 6), there are sufficient receipts in hand to finance the programme without the requirement for any prudential borrowing. Any additional capital receipts generated over and above the required level will be set-aside, enabling the Council to achieve an additional MRP saving in 2014/15.

11.3 The above capital receipt projections for 2014/15 to 2016/17 are based on current scheduled disposals that are profiled for each year. Those listed as Green are where it is rated as 'highly likely' that the disposals will be completed in year. In addition to these there are a number of further disposals that have been identified for potential disposal in future years. These receipts hold significant risk against delivery and therefore until the plans for disposal against these assets are formally agreed, these will not be included when considering the programmes affordability. On the basis that the current programme is unaffordable, further work is required on the deliverability of the list of assets being considered for disposal.

11.4 If the Council cannot generate the required level of capital receipts, the Council will need to further reduce or re-profile the capital programme or undertake prudential borrowing, which will incur revenue costs that are not budgeted in the revenue financial strategy.

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 4.6% and is projected to remain at around 5.0% in 2014/15. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £0.086m (MRP and interest cost) in the following year, reducing by £1,840 each year over the 25 year period. The Council is working towards generating sufficient capital receipts (see section 11), to avoid any unsupported borrowing requirement.

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
Capital Monitoring Report – Period 6 2013/14 – Cabinet 13 November 2013

Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council.

Portfolio holders

Local Member
All

Appendices

1. Capital Budget and Expenditure 2013/14