



<u>Committee and Date</u> Cabinet 18 September 2013 12.30 pm
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<u>Item</u> 8 <u>Public</u>
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CAPITAL MONITORING REPORT – PERIOD 4 2013/14

Responsible Officer James Walton
e-mail: james.walton@shropshire.gov.uk Tel: (01743) 255011

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 £68.5m and the capital programme budget for future years following changes made in Period 4 to improve affordability (including adjustments to improve the on-going revenue position);
- Expenditure to date of 14.6% of the revised budget;
- A projected outturn in line with the re-profiled budget of £68.5m; and
- The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

- A. Approve budget variations of £196,000 to the 2013/14 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2013/14 capital budget of £68.5m.
- B. Approve the re-profiled capital budgets of £45m for 2014/15 and £15.4m for 2015/16 as detailed in Table 4 and changes in Appendix 1.
- C. Accept the expenditure to date of £10m, representing 14.6% of the revised capital budget for 2013/14, with 33% 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 with monitoring reports submitted to Cabinet monthly.

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 4 there has been a net budget decrease of £196,000, compared to the position reported at Period 3 2013/14. Table 1 summarises the overall movement, between that already approved, and changes in Period 4 that require approval.

Table 1: Revised Capital Programme Period 4 2013/14

Service Area	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 3 13/14	Period 4 budget changes to be approved	Revised 2013/14 Capital Programme Period 4
General Fund				
Commissioning	46,668,987	(5,153,633)	430,410	41,945,764
Adult Services	1,531,768	69,644	-	1,601,412
Children's Services	12,139,904	5,012,674	(16,890)	17,135,688
Resources & Support	2,939,136	(603,054)	-	2,336,082
Public Health	-	24,675	-	24,675
Total General Fund	63,279,795	(649,694)	413,520	63,043,621
Housing Revenue Account	5,131,300	950,798	(610,000)	5,472,098
Total Approved Budget	68,411,095	301,104	(196,480)	68,515,719

- 6.2 Full details of all budget changes are provided in Appendix One to this report; the only significant change (over £0.5m and Corporate Resources) in Period 4 is the allocation of up to £215,000 in Corporate Resources to convert a vacant unit owned at Hortonwood, Telford into a combined records management, archives and museum store. The scheme will generate a net saving of over £40,000pa through enabling the Council to vacate other premises and external archive storage space. The scheme will also support the Council's asset management/disposal strategy, through providing archive space to enable further buildings to be vacated.
- 6.3 The Council has been awarded £12.8m in funding from the Heritage Lottery Fund for restoration work on the Flax Mill Maltings site, in Ditherington, creating hundreds of jobs and transforming a building which has been falling into disrepair for 30 years. Work will begin in late October with the site due to open to businesses and the public by April 2016. This funding has not yet been added to the capital programme, pending further details on the split of the funding, and establishing the profile of expenditure across financial years.

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 4 2013/14

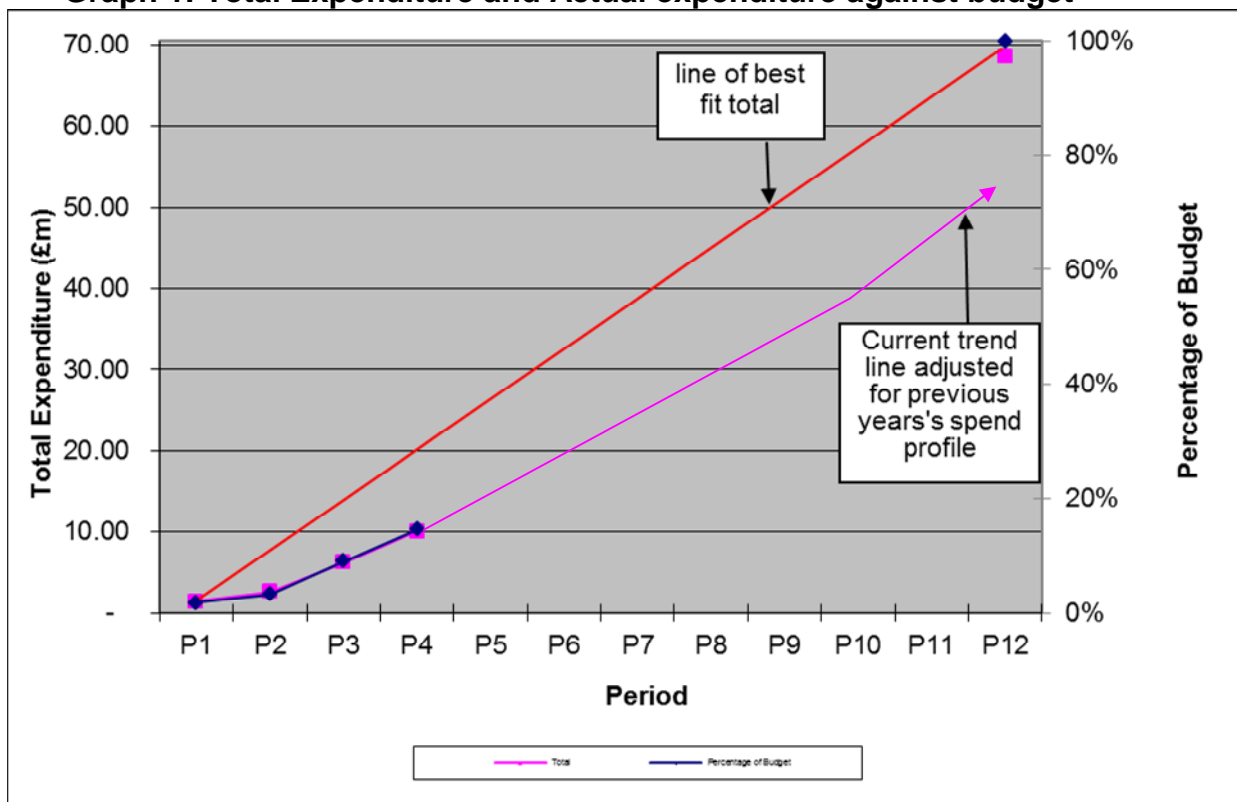
	2013/14 Revised Capital Programme	2013/14 Forecast Outturn	Variance
General Fund			
Expenditure	63,043,621	63,043,621	0
Financing	(63,043,621)	(63,043,621)	0
Shortfall/(surplus) In Resources	0	0	0
Housing Revenue Account			
Expenditure	5,472,098	5,472,098	0
Financing	(5,472,098)	(5,472,098)	0
Shortfall/(surplus) 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 4 is £10m, which represents 14.6% of the revised capital budget at Period 4, 33% 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 quarter of the financial year. A number of schemes are not planned to commence until later in the year. This includes the Learning and Skills programme, one of the largest elements of the capital

programme, where the majority of works are programmed for delivery over the school summer holiday period.

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 4 summarises the financing sources and changes made to Period 3 and to be approved in Period 4.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 4 13/14	Period 4 budget changes to be approved	Revised 2013/14 Capital Programme Period 4
Self-Financed Prudential Borrowing*	9,205,671	(5,380,037)	-	3,825,634
Government Grants	34,305,175	(2,197,488)	-	32,107,687
Other Grants	1,009,669	86,815	49,432	1,145,916
Other Contributions	877,095	598,317	48,994	1,524,406
Revenue Contributions to Capital	2,677,800	1,802,403	(389,133)	4,091,070
Major Repairs Allowance	3,200,000	9,905	-	3,209,905
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135,685	5,381,189	94,227	22,611,101
Total Confirmed Funding	68,411,095	301,104	(196,480)	68,515,719

* 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	27,251,484	12,080,567	-
Adult Services	764,663	-	-
Children's Services	8,043,076	-	-
Resources & Support	50,000	50,000	-
Public Health	-	-	-
Total General Fund	36,109,223	12,130,567	-
Housing Revenue Account	8,930,890	3,287,090	-
Total Approved Budget	45,040,113	15,417,657	-
Financing			
Self-Financed Prudential Borrowing*	-	-	-
Government Grants	31,038,232	-	-
Other Grants	49,432	49,433	-
Other Contributions	37,534	-	-
Revenue Contributions to Capital	3,206,640	300,000	-
Major Repairs Allowance	5,700,000	3,200,000	-
Corporate Resources (Capital Receipts/ Prudential Borrowing)	5,008,275	11,868,224	-
Total Confirmed Funding	45,040,113	15,417,657	-

* 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 progress in generating them by the end of each financial year. Those marked as green are where contracts have been exchanged, amber are with lawyers to agree exchange and red are on the market or to be sold (pending formal approval), but not currently under offer. 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	22,611,101	5,008,275	11,868,224
To be allocated from Ring Fenced Receipts	150,000	2,734,943	
Total Commitments	22,761,101	7,743,218	11,868,224
Capital Receipts in hand/projected:			
Brought Forward in hand	12,393,574	2,096,896	12,159,128
Generated - Year to Date	3,006,932		
Projected - Green	1,370,953		
Projected - Amber	3,316,172		
Projected - Red	4,770,366		
Future Years		17,805,450	137,090
Total in hand/projected	24,857,997	19,902,346	12,296,218
Shortfall / (Surplus) to be financed from Prudential Borrowing	(2,096,896)	(12,159,128)	(427,994)

- 11.2 Capital receipts of £3m have been generated in the first quarter of 2013/14. A further £9.5m is currently profiled as being targeted for 2013/14, but as per the RAG analysis there is a lot of risk around completing a number of these disposals in this financial year, with 85% rated Amber or Red at present. If the capital programme and the profiled receipts are delivered in full, there would currently be a surplus of £2.1m. If none of the projected receipts rated 'Red' were generated there would be a shortfall of £2.7m, which would need to be financed from borrowing. However, further re-profiling of the programme is expected and a level of slippage is usually experienced in the capital programme and other options to delay the programme could be explored, if required. If a level of borrowing was required, this could be financed through internal borrowing and thus there would be no requirement to borrow new funds externally.
- 11.3 Work is also on-going to identify further receipts for 2013/14 and beyond, to avoid the requirement for any prudential borrowing to bridge the financing gap. Based on the projected receipts above there would be sufficient receipts, 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.

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

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council.

Portfolio holders

Local Member

All

Appendices

1. Capital Budget and Expenditure 2013/14