

TO: EXECUTIVE
24 JUNE 2014

**CAPITAL PROGRAMME OUTTURN 2013/14
(Borough Treasurer)**

1 PURPOSE OF DECISION

- 1.1 At its meeting on 27 February 2013, the Council approved a capital programme for 2013/14-2015/16. This report updates the Executive on the capital outturn expenditure position for 2013/14 and requests approval for the carry forward of the remaining capital programme, the majority of which is committed but not yet spent. The report also sets out how the 2013/14 expenditure is to be financed.

2 RECOMMENDATIONS

2.1 That the Executive:

- a) **Notes the outturn capital expenditure and in particular the key variances identified in paragraph 5.6.**
- b) **Approves the carry forward of £17.717m from the 2013/14 capital programme to 2014/15 including £1.193m relating to projects approved in 2012/13 (see paragraph 5.7).**
- c) **Notes the financing of capital expenditure as shown in Table 2.**
- d) **Approves the use of the Community Capacity Grant in 2014/15 (See paragraph 5.12).**
- e) **Approves the re-profiling of the Targeted Basic Needs grant (See paragraph 5.13).**
- f) **Approves the additional S106 money at Easthampstead Park School in 2014/15 (See paragraph 5.14).**
- g) **Approves the use of the Local Pinch Point grant (see paragraph 5.15).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The reasons for the recommendations are set out in section 5 below.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not Applicable

5 SUPPORTING INFORMATION

Additions to Capital Programme

- 5.1 As a result of work undertaken as part of the Final Accounts process it has been necessary to gross up certain budgets where expenditure has been incurred but funded from external contributions from other bodies. As such the approved budget for 2013/14 has increased from the previously reported figure of £41.720m to £41.832m. This has no impact on the level of expenditure funded by the Council's own resources.

Outturn Capital Expenditure

Unrestricted

- 5.2 The capital programme for 2013/14 consisted of £41.832m on projects and programmes. The projected outturn is £24.027m (57% of approved budget) which is broadly consistent with performance in previous years. These figures remain subject to change, pending external audit. However, no significant movement is anticipated. The capital programme is monitored on a monthly basis by officers and reported formally to the Corporate Management Team on a quarterly basis and through to Members in the Quarterly Service Reports.
- 5.3 The published capital budget is based on scheme approvals and does not reflect the anticipated cash flow. Cash budgets are also monitored against to reflect the spend profile of the capital works. The actual spend is 99.6% of the cash budget (£24.114m) and highlights the importance of setting cash budgets as well as scheme approvals. Many of the capital schemes are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and inclement weather can all lead to unavoidable delays. In addition, their financial scale requires a lengthy tender process to ensure that best value is obtained prior to letting the works contract. It is therefore extremely difficult to complete such schemes within the financial year in which they are approved. Cash budgets are therefore a more accurate way of monitoring spend and performance.
- 5.4 Table 1 summarises the outturn position for schemes managed by Service Departments based on latest information available. The detailed monitoring sheets are provided at Annexes A-D.

Table 1: Capital outturn for each Service

Annexe	Service	Approved budget	Estimated Outturn	Carry forward	(Under) /Over spend
		£'000	£'000	£'000	£'000
A	Adult Social Care & Health	5,673.7	3,637.7	2,035.1	-0.9
B	Children, Young People & Learning	16,312.4	8,234.1	8,064.0	-14.3
C	Council Wide	8,564.4	5,671.7	2,848.7	-43.9
C	Corporate Services	698.0	130.6	554.2	-13.2
D	Environment, Culture & Communities	10,583.2	6,352.79	4,215.4	-15.1
Total Capital Programme		41,831.7	24,026.8	17,717.4	-87.4
		% spent	57%		

- 5.5 The total carry forwards requested by service departments amount to £17.717m and have been reflected in the cash budgets mentioned above. Many of the projects are either close to being completed or are contractually committed and underway.
- 5.6 According to Financial Regulations, departments are required to manage their budgets to ensure that the overall department capital programme is not exceeded. As can be seen above the overall capital programme is underspent against budget and there have been some significant variances which are required to be drawn to the attention of Members (>£25,000). The key budget variances are detailed below.

Corporate Service and Chief Executives Office

- Capitalisation of Revenue – (£37,800 underspend) – Spending on ICT capital projects less than forecast due to prioritisation of PSN work.

Environment, Culture and Communities

Unrestricted

- South Hill Park Ground Improvements – (£28,100 underspend) – Works completed on site and final grant claim now paid by Heritage Lottery Fund.

5.7 In accordance with Financial Regulations, funding for capital projects is automatically permitted to roll forward for one year. After this, funding may only be rolled forward if work on a project has commenced on-site, unless the approval of Members has been obtained. Projects totalling £1.193m (as detailed in Annexe E) carried forward from 2012/13 have not yet been contractually committed. However, work is planned to commence on these schemes in the near future. Consequently, it is requested that these funds be carried forward into 2014/15.

Use of capital resources

5.8 Capital expenditure can be financed from four main sources. These are Developers' Contributions (S106 monies), Grants, Capital Receipts and Borrowing. No external borrowing has been necessary during 2013/14.

Capital Receipts

The 2013/14 Capital Programme was approved with an assumption that £5m of capital receipts would be generated in the year. As part of the transfer agreement with Bracknell Forest Homes (BFH) the Council receives a share of the sales of properties by Bracknell Forest Homes through preserved Right-To-Buy and also receives a share of the proceeds from the VAT-Shelter agreement. The amount received from Bracknell Forest Homes for 2013/14 is £2.936m.

A further source of receipts is the sale of surplus assets. There are a number of miscellaneous properties still being marketed however £1.340m has been received from the sale of miscellaneous properties during 2013/14.

Taking the above receipts together with a number of smaller miscellaneous disposals, the total capital receipts that can be used to fund the Capital Programme amounts to £4.545m.

It is proposed that all of the capital receipts be used to finance capital expenditure.

S106 receipts

Each year the Council enters into a number of agreements under Section 106 of the Town & Country Planning Act 1990 by which developers make a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development. Usually the monies are given for works in a particular area and/or for quite specific purposes. At the start of the financial year, £6.886m was available from accumulated developer contributions to fund projects.

During the year, a number of projects costing £2.128m have been undertaken that can be funded from Section 106 monies. In addition, £2.468m was received from developers towards new projects and £0.291m has supported revenue expenditure on bus contracts, Suitable Alternative Natural Green Spaces (SANGS) posts and waste and recycling.

Taking into account the funding requirements identified above the total Section 106 resources available for future schemes consequently amount to £6.935m as at 31 March 2014. Of this, £2.779m has already been committed or provisionally allocated for future projects.

Government grants/Contributions

A total of £11.373m of government grants and other external contributions have been used to finance capital projects in 2013/14. The majority of the grants used were from the Department for Education for education projects and included Basic Need Grant and Targeted Basic Need Grant (£4.276m) and capital maintenance of schools (£2.168m). Department for Transport funding for the Local Transport Plan (£2.247m) was also used during the year.

5.9 Table 2 below summarises how the capital expenditure for 2013/14 will be financed.

Table 2: Financing of Capital Expenditure

	£'000
Total capital expenditure	24,027
To be financed by:	
-Capital receipts	4,545
-Government Grants/contributions	11,373
-S106 monies available	2,128
- Direct revenue contribution	1,100
-Capital Financing Requirement	4,881

Capital Financing Requirement

5.10 As a result of the capital expenditure in 2013/14 the Council now has an overall capital financing requirement of £49.492m as at the 31 March 2014. The Council will need to provide for the repayment of this through the minimum revenue provision which will need to be re-calculated using the policy agreed by Council. This will be incorporated into the budget round for 2015/16.

Amendments to 2014/15 Programme

5.11 The Council agreed a Capital Programme of £24.065m for 2014/15 funded through external grants and contributions of £15.637m and the balance funded by internal resources of £8.425m.

Changes to Adult Social Care, Health and Housing Approved Budgets

5.12 A budget for Community Capacity Grant (£0.199m) was approved for the 2014/15 capital programme, however the strategy for how best to spend the money was being developed. The following strategy is now to be agreed in order to release the funding:

- that the Department uses capital funding available to it in the form of the Community Capacity grant to provide alternatives to residential care to enable people to live in the most appropriate accommodation for them
- that in finding alternatives to residential care, the money can be used to purchase appropriate housing, repair and adapt existing housing stock, grant fund a RSL in return for nomination rights or be used in conjunction with, and

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complement, DFGs, for example to fund adaptations to properties that cannot otherwise be funded from DFGs

- each individual decision must both fit the strategy above and meet one or more of the following criteria:
 - i. that a revenue saving can be demonstrated; the revenue saving can be either a reduction in current expenditure (cash releasing), or reducing anticipated pressures (cost avoidance)
 - ii. will enable identified individuals to either avoid, or move out of, residential care
 - iii. will enable identified individuals to remain in a non-residential setting, and stay in Bracknell or move back to Bracknell
 - iv. will improve the quality of life and/or independence of individuals, either currently identified, or will meet a reasonably anticipated demand

Changes to Children, Young People and Learning Approved Budgets

- 5.13 At the end of the financial year the Department for Education re-profiled the amount of Targeted Basic Needs Grant allocation for 2013/14 to reflect the level of expenditure in year. This therefore has increased the allocation for 2014/15 by £1.358m.
- 5.14 A budget of £0.250m for Children, Young People and Learning S106 schemes was approved for 2014/15; however as a result of additional S106 contributions received (£0.165m), approval is required for a scheme at Easthampstead Park School.

Changes to Environment, Culture and Communities Approved Budgets

- 5.15 In December 2013 the Council was notified that they would receive £1.000m from the Department for Transport as part of the Local Pinch Point fund. This money was granted to the Council 'to tackle congested local roads and improve key points in the strategic road network' and must be used at Twin bridges. As part of the 2013/14 Capital Programme, £3.000m was approved for Town Centre Highway works and this included works at Twin Bridges. This means that £1.000m is now available to finance future town centre related works.

Future Capital Programme

- 5.16 Work will be commencing over the coming months to prepare the capital programme for 2015/16-2017/18. The extent of the capital programme is based on affordability supplemented by any external funding. The affordability of the capital programme takes into account the revenue impact of the capital scheme both in running costs and the necessity to repay the capital sum. Therefore, this will impact on the Council's ability to continue to fund a capital programme at current levels. The indicative capital programme for 2015/16 is £7.441m however this level of capital spend will need to be reviewed in light of the actual Council's resources and will be considered as part of the budget process over the coming months.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

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6.1 The authorisation for incurring capital expenditure by local authorities is contained in the legislation covering the service areas.

Borough Treasurer

6.2 The financial implications are contained within the report.

Impact Assessment

6.3 None

Strategic Risk Management

6.4 The most significant risk facing the Council is the impact of the capital programme on the revenue budget. As the outturn is in line with that assumed in setting the 2014/15 budget the risk on the revenue budget has been minimised.

6.5 There are also a range of risks that are common to all capital projects which include:

- Tender prices exceeding the budget
- Planning issues and potential delays
- Uncertainty of external funding (especially when bids are still to be submitted or the results of current bids are unknown)
- Building delays due to unavailability of materials or inclement weather
- Availability of staff with appropriate skills to implement schemes and IT projects in particular.

7 CONSULTATION

7.1 Not Applicable

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Capital Monitoring Report Outturn 13-14