

TO: CMT
24TH JUNE 2014

**CAPITAL PROGRAMME OUTTURN 2014/15
(Borough Treasurer)**

1 PURPOSE OF DECISION

- 1.1 At its meeting on 26th February 2014, the Council approved a capital programme for 2014/15-2016/17. This report updates the Executive on the capital outturn expenditure position for 2014/15 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 2014/15 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 5.5.**
- b) **Approves the carry forward of £27.951m from the 2014/15 capital programme to 2015/16 including £1.300m relating to projects approved in 2013/14 (see paragraph 5.6).**
- c) **Notes the financing of capital expenditure as shown in Table 2.**
- d) **To approve amendments to the 2015/16 Schools Programme as agreed by the Education Capital Programme Board, outlined in Annex F**

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

Outturn Capital Expenditure

- 5.1 The capital programme for 2014/15 consisted of £53.806m on projects and programmes. The projected outturn is £25.436m (47% 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.
- 5.2 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 98% of the cash budget (£25.855m) 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

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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.

- 5.3 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

Annex	Service	Approved budget	Estimated Outturn	Carry forward	(Under) /Over spend
		£'000	£'000	£'000	£'000
A	Adult Social Care, Health & Housing	4,548.1	2,409.3	1,856.1	-282.7
B	Children, Young People & Learning	22,224.9	10,714.7	11,510.2	0.0
C	Council Wide	10,310.3	4,097.3	6,203.8	-9.2
C	Corporate Services	888.2	330.9	566.4	9.1
D	Environment, Culture & Communities	15,834.5	7,884.3	7,814.8	-135.4
Total Capital Programme		53,806.0	25,436.5	27,951.3	-418.2
		% spent	47%		

- 5.4 The total carry forwards requested by service departments amount to £27.951m 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.
- 5.5 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.

Adult Social Care, Health and Housing

- Affordable Housing – Clement House – (£282,700 underspend) – A budget contingency (to be used in only a worse case scenario) was included in the overall scheme to fund the purchase of properties belonging to potential occupants of Clement House who faced difficulties in realising the sale of their own homes in the time required. However due to the general improvement in market conditions this contingency was not required.

Environment, Culture and Communities

- Combined Heat & Power Unit Replacement – (£75,100 underspend) – Following OJEC tendering, very competitive bids were received. In addition, following award of contract and discussion with the successful tenderer, it was found that replacing the supply cable from the Leisure Centre CHP unit to the switch gear was unnecessary as the cable was in good working order thus reducing the spend further.
- S106 Parks & Open Spaces Improvements Programme (£40,000 underspend) – Review of initial schemes refined and full budget allocation not required in 2014/15.

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- 5.6 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 £1.300m (as detailed in Annex E) carried forward from 2013/14 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 2015/16.

Use of capital resources

- 5.7 Capital expenditure can be financed from four main sources. These are Developers' Contributions (£106 monies), Grants, Capital Receipts and Borrowing. No external borrowing has been necessary during 2014/15.

Capital Receipts

The 2014/15 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 2014/15 is £2.849m.

- 5.8 A further source of receipts is the sale of surplus assets and other miscellaneous capital receipts of which £1.293m has been received from the sale of these (including £0.720m for Adastron House) during 2014/15. As such the total capital receipts that can be used to fund the Capital Programme are £4.142m. With interest rates at historical lows and the rate of return on the Council's investments reduced to an average of 0.5%, this shortfall in receipts will not have a material impact on the Council's revenue outturn in 2014/15.
- 5.9 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, £6.936m was available from accumulated developer contributions to fund projects.

During the year, a number of projects costing £1.606m have been undertaken that can be funded from Section 106 monies. In addition, £1.262m was received from developers towards new projects and £0.152m 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 £6.437m as at 31 March 2015. Of this, £3.637m has already been committed or provisionally allocated for future projects.

Government grants/Contributions

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A total of £13.074m of government grants and other external contributions have been used to finance capital projects in 2014/15. The majority of the grants used were from the Department for Education for schools expansion and maintenance (£9.2m), and the Department for Transport funding for the Local Transport Plan (£3.3m) was also used during the year.

- 5.10 Table 2 below summarises how the capital expenditure for 2014/15 will be financed.

Table 2: Financing of Capital Expenditure

	£'000
Total capital expenditure	25,436
To be financed by:	
-Capital receipts	4,142
-Government Grants/contributions	13,074
-S106 monies available	1,606
-Capital Financing Requirement	6,614

Capital Financing Requirement

- 5.11 As a result of the capital expenditure in 2014/15 the Council now has an overall capital financing requirement of £54.661m as at the 31 March 2015. 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 2016/17.

Amendments to 2015/16 Programme

- 5.12 The Council agreed a Capital Programme of £31.113m for 2015/16 funded through external grants and contributions of £14.315m and the balance funded by internal resources of £16.798m.

Changes to Children, Young People and Learning Approved Budgets

- 5.13 In late February 2015 the Department for Education announced further funding for the period 2015/18 which due to the timing, was not included in the 2015/16 Budget Papers. Bracknell Forest will receive a total of £9.223m funding in 2015/16 and £32.931m over the three year period for 2015/18.
- 5.14 The Education Capital Programme has been revised in the light of the grant funding announcements and a review of priorities. The Education Capital Programme Board previously approved the Education Capital Programme in January 2015, and the proposed revisions from June 2015 are set out by project at annex F.

Future Capital Programme

- 5.15 Work will be commencing over the coming months to prepare the capital programme for 2016/17-2018/19. 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 2016/17 is £44.166m, of which £3.755m is expected to be externally funded, 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

- 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 14-15