

**TO: EXECUTIVE  
18 JULY 2015**

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**Capital Programme Outturn 2015/16  
(Borough Treasurer)**

**1 PURPOSE OF DECISION**

1.1 At its meeting on 25 February 2015, the Council approved a capital programme for 2015/16-2017/18. This report updates the Executive on the capital outturn expenditure position for 2015/16 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 2015/16 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 £20.967m from the 2015/16 capital programme to 2016/17 including £0.339m relating to projects approved in 2014/15 (see paragraph 5.6).**
- c) **Notes the financing of capital expenditure as shown in Table 2.**
- d) **Approves the additions and virements to the 2016/17 Capital Programme as outlined in paragraphs 5.14 – 5.18**

**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 2015/16 consisted of £67.020m on projects and programmes. The projected outturn is £45.089m (67% of approved budget). 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 (£45.177m) 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

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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 | 5,291           | 3,831             | 1,060         | -400                |
| B                              | Children, Young People & Learning   | 24,854          | 19,080            | 5,774         | 0                   |
| C                              | Council Wide                        | 13,993          | 6,823             | 6,711         | -459                |
| C                              | Corporate Services                  | 655             | 416               | 239           | -2                  |
| D                              | Environment, Culture & Communities  | 22,227          | 14,939            | 7,183         | -105                |
| <b>Total Capital Programme</b> |                                     | <b>67,020</b>   | <b>45,089</b>     | <b>20,967</b> | <b>-966</b>         |
|                                |                                     | % spent         | 67%               |               |                     |

- 5.4 The total carry forwards requested by service departments amount to £20.967m 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

Older Person Accommodation Strategy (£400K underspend) - Council decided to no longer proceed with scheme at Dennis Pilcher House.

### Council Wide

Market Place Properties CPO (£461.8k underspend) – Following the settlement of the largest outstanding CPO claim, there are now only 3 outstanding CPOs. A carry-forward of £100k is requested, and the provision has been reduced with the remaining balance identified as an underspend

### Environment, Culture and Communities

Shoulder of Mutton Highway Works (£82.2k underspend) – Scheme postponed and funding returned to unallocated S106 reserves.

- 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 £0.339m (as detailed in Annex E) carried forward from 2014/15 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 2016/17.

### **Use of capital resources**

- 5.7 Capital expenditure can be financed from four main sources. These are Developers' Contributions (S106 monies and Community Infrastructure Levy), Grants, Capital Receipts and Borrowing. No external borrowing has been necessary during 2015/16.

#### Capital Receipts

- 5.8 The 2015/16 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 2015/16 is £2.010m.
- 5.9 A further source of receipts is the sale of surplus assets and other miscellaneous capital receipts of which £3.853m has been received from the sale of these during 2015/16, with significant receipts from the sale of Binfield Nursery (£3m) and East Lodge (£0.4m).
- 5.10 As such the total capital receipts that can be used to fund the Capital Programme are £5.863m. With interest rates at historical lows and the rate of return on the Council's investments reduced to an average of 0.5%, these additional receipts will not have a material impact on the Council's revenue outturn in 2015/16.
- 5.11 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, £6.436m was available from accumulated developer contributions to fund projects.

During the year, a number of projects costing £2.336m have been undertaken that can be funded from Section 106 monies. In addition, £3.279m was received from developers towards new projects and £0.184m 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 £7.195m as at 31 March 2016. Of this, £3.620m has already been committed or provisionally allocated for future projects.

#### Community Infrastructure Levy (CIL)

A total of £1.405m was invoiced in 2015/16 in relation to the CIL, of which a net £1.184m (after taking account of the SANGs contribution, the 5% admin fee and the Parish contributions) was available to finance the capital programme. The CIL is accounted for on an accruals basis, and whilst £1.184m was billed and therefore available for financing purposes, the actual cash received amounted to only £307,000. Those liable for CIL have the option of a payment schedule as set out in

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the legislation and all developers took up this opportunity to phase payments in 2015/16.

### Government grants/Contributions

A total of £26.484m of government grants and other external contributions have been used to finance capital projects in 2015/16. The majority of the grants used were from the Department for Education for schools expansion and maintenance (£16.1m), and the Department for Transport funding for the Local Transport Plan (£10.3m) was also used during the year.

- 5.12 Table 2 below summarises how the capital expenditure for 2015/16 will be financed.

*Table 2: Financing of Capital Expenditure*

|                                      | £'000  |
|--------------------------------------|--------|
| Total capital expenditure            | 45,089 |
| To be financed by:                   |        |
| -Capital receipts                    | 5,863  |
| -Community Infrastructure Levy (CIL) | 1,184  |
| -Government Grants/contributions     | 26,484 |
| -S106 monies available               | 2,324  |
| -Capital Financing Requirement       | 9,234  |

### **Capital Financing Requirement**

- 5.13 As a result of the capital expenditure in 2015/16 the Council now has an overall capital financing requirement of £62.301m as at the 31 March 2016. 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 2017/18.

### **Amendments to 2016/17 Programme**

- 5.14 The Council agreed a Capital Programme of £79.829m for 2016/17 funded through external grants and contributions of £19.846m and the balance funded by internal resources and borrowing of £59.983m.

### Council Wide

- 5.15 In order to maximise the resources available to the General Fund Revenue Account the Council makes every effort to capitalise project management costs and fees associated with capital works included within the planned programme. In setting the 2016/17 Budgets the revenue impact was allowed for. Approval for the capitalisation of £400,000 of costs within the Revenue Budget is now sought.
- 5.16 A sum of £463,000 was approved by Council within the 2016/17 Planned Maintenance programme (and included in the recent Contract Award report approved by the Executive) for works that were being undertaken as part of the overall scheme at Coral Reef. These works will be managed as part of the whole Coral Reef enhancement project and as such it is recommended that this budget sum be vired from the Council Wide programme (Buildings Planned Maintenance Programme) to the Environment, Culture & Communities (Coral Reef Roof and Flumes) budget.

### Housing Programme

- 5.17 Funding from the 2015/16 Housing programme was used to fund the deposit payable on the scheme to convert Amber House to affordable housing units as part of the TRL S106 Agreement. The final S106 sum has been agreed with Legal & General and is expected in late June. As such the funding from the housing programme can be reinstated to an amount equivalent to the difference between the cost of the affordable housing at Amber House and the sum received from Legal & General. As such it is recommended that £397,000 be added to the Housing Programme in 2016/17
- 5.18 A property purchased in 2015/16 as part of the Temp-to-Permanent programme to alleviate homelessness was a property that the Council had previously provided a mortgage on through the Mortgage Scheme. As such the sum due to purchase the property was netted off against the principal outstanding on the mortgage due to the Council. However the accounting rules require such transactions to be grossed up and it is recommended that the 2016/17 Housing Programme be increased by £79,000 to ensure there is no adverse impact on the Housing Capital Programme.

### **Future Capital Programme**

- 5.19 Work will be commencing over the coming months to prepare the capital programme for 2017/18-2019/20. 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 2017/18 is £38.8m, of which £16.3m 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 2015/16 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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