

Eden District Council

Executive

3 July 2018

Council

12 July 2018

Scrutiny Co-ordinating Board

20 September 2018

**Capital Expenditure 2017-2018 Outturn and
Revised 2018-2019 Programme**

Portfolio:	Resources
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

1.1 To:

- a. advise Members of capital expenditure for the financial year 2017-2018, together with the means by which it was funded; and
- b. present an amended Capital Programme for 2018-2019, to take account of a revision of projected resources and other factors affecting the Council's Capital Programme and the impact of the 2017-2018 outturn, subject to audit.

1.2 The Capital Programme is susceptible to change because of a variety of factors. Capital schemes can be subject to slippage and overspend, which can affect finance.

1.3 This report is brought before Members on an annual basis to take account of such factors and to allow Members to assess the Capital Programme for the current financial year. It also forms the basis for the Capital Programme for the coming financial year.

2 Recommendation

- 1 The outturn for 2017-2018, subject to audit, as set out in Appendix A, be noted.
- 2 The amended Programme for 2018-2019, as set out in Appendix B, be agreed.
- 3 No new schemes are included in the Programme, unless fully grant-funded, formally approved by Council, or emergency schemes.

3. Report Details

3.1 Capital Outturn 2017-2018

Expenditure for the year, together with the revised budget figures and any resultant variances, is shown below:

	2017-18 budget	Out turn	Variance
Portfolio	£'000	£'000	£'000
Services	100	79	-21
Commercial Services	233	222	-11
Housing and Health	1,754	941	-813
Communities	22	0	-22
Resources	823	654	-169
Leader	1,000	0	-1000
Total Programme	3,932	1,896	-2,036
Renewals:			
IT	89	20	-69
Digital Innovation	231	223	-8
Leisure	333	262	-71
Total Capital	4,585	2,401	-2,184

3.2 Details of the above variances are shown at Appendix A. The main areas of variance were due to slippage of the following schemes:

- **Leader** – The planned £1m equity purchase from Heart of Cumbria limited did not occur within the year; the acquisition of affordable housing which underlies the equity issue is due to complete during the first quarter of 2018-2019.
- **Housing and Health** –
 - £358,000 of the Affordable Housing Innovation Fund remains to be distributed; a scheme under development by Eden Housing Association is anticipated to draw down the funds during 2018-2019.
 - £264,000 of mandatory housing renovation grants were not spent in year although only around £100,000 was uncommitted; there are restrictions over the use of this funding so these will be rolled forward to meet the trend of increasing demand.
 - £191,000 of discretionary housing grants were not spent. These are also demand led but are funded out of general capital resources. This budget will not be rolled forward as there is an existing allocation of £210,000 in the 2018-2019 budget. This will be reviewed as part of the 2019-2020 budget process.
- **Resources** - £134,000 of the depot refurbishment budget was not used in year. The main building phase was largely complete. The remaining budget relates to re-modelling and demolition of buildings on the wider site. This is due to complete during 2018-2019.
- **Renewals** – IT and Leisure renewals programmes were £69,000 and £71,000 underspent respectively. These budgets relate to ongoing programmes of works with the budgets to be rolled into subsequent years.

This expenditure was resourced as follows:

Financing by funding type:	2017-18 Actual £'000
Reserve IT	20
Reserve Renewals	397
Leisure Provision	88
DFG	236
Capital Receipt	488
Budgeted DRF	520
Reserve Homelessness	445
Reserve Affordable housing	207
	2,401

3.3 Amended Capital Programme 2018-2019

3.3.1 Based on the outturn for 2017-2018, the original Programme for 2018-2019, and any other matters relevant, the amended Programme can be summarised as follows:

	£'000
Original Estimate: Capital Programme	2,257
Original Estimate – Repair and Renewals Funds	204
Single Site Accommodation (approved April Council)	2,300
Plus 2017-2018 underspend (Appendix A)	2,184
Non-roll forward of Discretionary Housing Grants	-191
Other minor adjustments*	-14
Additional DDI project funded from Repair and Renewals	135
Total per Appendix B	6,875

*This is a £13,000 adjustment to Disabled Facilities Grants following confirmation of the award for 2018-2019 and £1,000 on the Corney Square budget not required to be rolled forward.

3.3.2 In preparing this report, an error in the Capital Programme approved at Council on 15 February 2018 has been noted. The full cost of the Delivering Digital Innovation Project and the Replacement of Revenues and Benefits Software were omitted. Both were previously approved by Council. The Repair and Renewal Fund Expenditure has therefore been increased by £143,000 to correct this (£8,000 from 2017-2018 budgets, £135,000 added in to the programme).

3.3.3 This will be funded as follows:

Financing by funding type:	2018-19 Original £'000	Re-profiling and Other adjustments £'000	2018-19 Revised £'000
Reserve IT	125	69	194
Reserve Capital	20	22	42
Reserve Renewals	79	214	293
DFG	500	251	751
Prudential Borrowing	0	2,300	2,300
Capital Receipt	1,009	200	1,209
Budgeted DRF	167	0	167
Reserve Affordable housing	561	1,358	1,919
Total	2,461	4,414	6,875

3.4 Capital Programme 2018-2022: Review of Available Resources

- 3.4.1 The latest estimate of available resources is shown below. This table shows what earmarked resources are available once the revised 2018-2022 Capital Programme has been financed:

Cumulative closing position by funding type	Closing 2017-18 £'000	2018-19 Revised £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
IT Renewals	70	1	25	50	50
Capital Reserve	403	361	0	0	0
Renewals Reserve	879	762	708	393	514
DFG	308	0	0	0	0
Housing Grant	99	99	0	0	0
Capital Receipt	1,357	256	191	299	407
Reserve Affordable housing	1,938	97	0	75	150
Total	5,054	1,576	924	817	1,121

- 3.4.2 The above includes an assumption of capital receipt income of £108,000 per year, this being £100,000 for miscellaneous disposals including the Council's share of the retained right to buy receipts, and £8,000 for repayment of a loan to the leisure provider. It also includes an assumption of £75,000 per year from S106 receipts and repayment of the Affordable Housing Innovation Fund loans. These are judged to be prudent assumptions; the actual level of income will be reviewed at least annually with schemes only to be committed against funds when the income is actually due for payment.
- 3.4.4 The Council has received notice that its allocation for Disabled Facilities Grants from central Government will be £442,737 in 2018-2019. Under current arrangements, the funding is issued to Cumbria County Council and 'passported' to the district councils. This is included in the programme funding. Future years of the programme assume equal ongoing income and expenditure of £250,000. This will be reviewed annually but given the current level of allocation, may be higher.
- 3.4.5 Overall, this suggests that there may be resources left but these mostly relate to the renewals fund to support ongoing investment in operational assets and funds restricted to use on housing projects.
- 3.4.6 The capital programme includes the provisional budgets approved for the single site proposal by Council on 19 April 2018. This budget of £2,300,000 is funded through 'prudential borrowing', where the council uses loan finance which is repaid over the life of the asset constructed, or 'Minimum Revenue Provision'. This budget is subject to confirmation following further work to refine the specification, build cost and future running costs.

3.5 Conclusion

- 3.5.1 The outturn for 2017-2018 is shown in summary, subject to audit, at Section 3.1 and Appendix A.
- 3.5.2 The amended Capital Programme for 2018-2022, as set out at Appendix B, is £10,995,000.
- 3.5.3 The Single Site accommodation proposals will have a large impact on the programme. Once further details are known, the programme and its funding will be reviewed.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

4.2 The original Capital Programme, as agreed by Council as part of the estimates cycle, forms part of the Council's budgetary and policy framework.

4.3 The Council has prioritised capital schemes for several years.

5 Consultation

5.1 There has been consultation with the Resources Portfolio Holder.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019 as agreed at Council on 17 September 2015.

6.1.2 The Financial and Resources implications are outlined at Section 3 of the report.

6.2 Legal

6.2.1 There are no Legal implications.

6.3 Human Resources

6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
Significant capital schemes are susceptible to slippage and overspend	This could cause overspending or underspending	The prioritisation is already implemented and close capital monitoring is already in place. These go some way to guarding against these risks
If schemes are not undertaken, grants provided by third parties may be recovered	Grants may need to be recovered	This is managed by the regular monitoring of the Capital Programme
There is a risk that anticipated capital receipts may not arise as forecast	Capital receipts may not materialise, or may be delayed	A prudent level of receipts is included in the estimate of available funding. These are reviewed annually and not committed against until realised.
There is a risk that the Council may lose its current level and previously unused funding for Disabled Facilities Grants	Less work may be undertaken, or the Council will have to undertake the work itself	As stated at section 3.4.4, the allocation for 2018-2019 has been confirmed.

7 Other Options Considered

7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

8.1 To allow the Council to effectively manage its Capital Programme by rolling forward unspent monies, where appropriate, and to ensure an accurate Programme is set for the year 2018-2019.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	12 June 2018
Monitoring Officer (or Deputy)	12 June 2018
Assistant Director	12 June 2018

Background Papers: Statement of Accounts 2017-2018

Approved Budget 2018-2019

Appendices: Appendix A - Details of Variances

Appendix B - Summary of Capital Programme 2018-2022

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Details of Variances 2017-2018

Portfolio	Scheme	2017-18 Budget £'000	Outturn £'000	Variance £'000	Note
Services	Footway Lighting	100	79	-21	1
Commercial Services	Eden Business Park - Phase 1	10	0	-10	2
Commercial Services	4/4A Corney Square, Penrith	223	222	-1	
Housing and Health	Mandatory Renovation Grants	500	236	-264	3
Housing and Health	Discretionary Renovation Grants	244	53	-191	4
Housing and Health	Affordable Housing Innovation Fund	1,010	652	-358	5
Communities	Penrith Leisure Centre	22	0	-22	6
Resources	Depot Refurbishment	788	654	-134	7
Resources	Kitchen and Toilets at Mansion House	35	0	-35	8
Leader	Heart of Cumbria – Equity	1,000	0	-1,000	9
Total		3,932	1,896	-2,036	
Resources	IT Renewals	89	20	-69	10
Resources	Renewals DDI	231	223	-8	
Resources	Renewals Leisure	333	262	-71	11
Total Capital		4,585	2,401	-2,184	

1. Part of the ongoing programme to upgrade footway lighting, recommended to be rolled forward.
2. To cover retention amounts not yet paid; recommended to be rolled forward.
3. Demand led Disabled Facilities Grants (DFG); £100,000 was unallocated. Restrictions exist around the use of DFG funding so recommended that this be rolled forward.
4. £191,000 of discretionary housing grants were not spent. These are also demand led but are funded out of general capital resources. This budget will be reviewed as part of the 2019-2020 budget process, recommend these are not rolled forward.
5. £358,000 of the Affordable Housing Innovation Fund remains to be distributed; a scheme under development by Eden Housing Association is anticipated to draw down the funds during 2018-2019.
6. Part of the ongoing programme of works at Penrith Leisure Centre specifically relating to roof repairs; now planned for completion 2018-2019 recommend that this be rolled forward.
7. £134,000 of the depot refurbishment budget was not used in year. The main building phase was largely complete. The remaining budget relates to re-modelling and demolition of buildings on the wider site. This is due to complete during 2018-2019.
8. This is now planned to be spent during 2018-2019; recommend roll forward.
9. The planned £1m equity purchase from Heart of Cumbria limited did not occur within the year; the acquisition of affordable housing which underlies the equity issue is due to complete during the first quarter of 2018-2019.
10. This related to spend on the IT renewals programme. Much of this is due to the timing of spend; there may be some areas where alternative budgets exist to cover IT costs. Recommend that this be rolled forward with a full programme review as part of the 2019-2020 budget process.
11. Part of the ongoing renewal programme on Leisure assets. Recommend roll forward.

Revised Capital Programme 2018-2022

		2018-22	2018-19 Revised	2019-20	2020-21	2021-22
Portfolio	Scheme	£'000	£'000	£'000	£'000	£'000
Services	Footway Lighting	771	771	0	0	0
Commercial Services	Eden Business Park - Phase 1	59	59	0	0	0
Housing and Health	Mandatory Renovation Grants	1,501	751	250	250	250
Housing and Health	Discretionary Renovation Grants	210	210	0	0	0
Housing and Health	Affordable Housing Innovation Fund	358	358	0	0	0
Communities	Penrith Leisure Centre	22	22	0	0	0
Communities	Castle Park Improvement	20	20	0	0	0
Communities	Castle Park Vision Plan	167	167	0	0	0
Resources	Depot Refurbishment	134	134	0	0	0
Resources	Kitchen & Toilets at Mansion House	35	35	0	0	0
Resources	Single Site Accommodation	2,300	2,300	0	0	0
Leader	Heart of Cumbria – Equity	1,000	1,000	0	0	0
Leader	Heart of Cumbria – Loan	3,153	561	1,690	561	341
Total		9,730	6,388	1,940	811	591
Resources	IT Renewals	355	194	46	45	70
Resources	Renewals DDI	143	143	0	0	0
Resources	Renewals Leisure	767	150	177	438	2
Total Capital		10,995	6,875	2,163	1,294	663