

<b>REPORT TO:</b>		Audit Committee	
<b>DATE:</b>		27 June 2016	
<b>PORTFOLIO:</b>		Cllr Gareth Molineux - Resources	
<b>REPORT AUTHOR:</b>		Stephen Brindle Head of Accountancy	
<b>TITLE OF REPORT:</b>		Capital Outturn Report 201/16	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>Options</b>	Not applicable	
<b>KEY DECISION:</b>	<b>Options</b>	If yes, date of publication:	

## 1. Purpose of Report

1.1 The report sets out the financial spend on the Council's capital projects for 2015/16. It includes a proposed list of changes to the 2016/17 Capital Programme i.e. slippage from the previous year. The slippage will be funded from the amounts not spent but authorised in 2015/16.

## 2. Recommendations

2.1 That the Committee approves the capital items of slippage from the 2015/16 programme.

## 3. Reasons for Recommendations and Background

3.1 Appendix A is the Cabinet report 8<sup>th</sup> June 2016 which sets out the background and detail to the capital programme. It explains the circumstances surrounding the slippage. The report was approved by Cabinet and now under the Constitution the capital slippage of £998,328 requires Audit Committee approval. Approval will see the capital schemes continue in 2016/17.

## 4. Alternative Options considered and Reasons for Rejection

4.1 None applicable.

## 5. Consultations

5.1 N/A

**6. Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	As described in the report
<b>Legal and human rights implications</b>	No legal implications arising directly from the report.
<b>Assessment of risk</b>	No new risk management implications
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	None applicable

**7. Local Government (Access to Information) Act 1985:  
List of Background Papers**

7.1 [Capital Programme 2015/16](#)

**8. Freedom of Information**

8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

**REPORT TO :** Cabinet  
**DATE :** 8<sup>th</sup> June 2016  
**Report of** Cllr Gareth Molineux  
Portfolio Holder : Resources

**PREPARED BY :** Joe McIntyre  
Deputy Chief Executive

## **Capital Report Outturn 2015/16**

### **Purpose of the Report**

The Report informs Cabinet of the financial spend on Capital Projects during 2015/16. The full detail of expenditure is shown at Appendix 1 and the proposed list of changes to the 2016/17 Capital Programme is shown at Appendix 2. These will be funded from the amounts not spent but authorised in 2015/16.

Figures reported are the latest available and may be subject to change in finalising the draft accounts or after the conclusion of the final accounts audit. If the figures change significantly from those contained in this report an update on the overall position will be made to Cabinet in October 2016 at the end of the audit period.

### **Recommendations**

- Cabinet notes the report and asks the Audit Committee to approve the Slippage items at Appendix 2.

### **Summary**

The detail of the Capital Programme for 2015/16 is shown at Appendix 1.

The outturn position for 2015/16 on Capital Expenditure shows a twelfth year of major capital investment by the Council. The overall investment by the Council in the year was just over £3.2m against an authorised maximum budget of £11.6m. Net Savings of £166,000 have been achieved against the Budget which represent 1.5% of the overall total. There were no major overspends reported during the year.

The Council has received applications for net slippage of £998,328 comprising £4.6m of expenditure schemes from 2015/16 to 2016/17 and £3.6m of income. These will be approved by the Audit Committee in June 2016. The list of schemes that have applied for slippage is given at Appendix 2. Overspends occurred on a few schemes and were small in overall value terms and had no overall impact on the overall financial position as the value of overspends was significantly outweighed by the savings generated within the overall programme this year.

We maintained our prudent approach to Treasury Management during the year. The indicators at Table 3 demonstrate small positive movements between last year's position and the outturn for this year.

## Detail

The capital programme for 2015/16 was approved by the Council on the 26<sup>th</sup> February 2015. The programme for 2015/16 outlined continuing major investment in the local community and in the Council's key priorities. The Council has spent just over £3.2m million on a wide variety of projects over the last 12 months. This expenditure builds upon the record levels of investment in previous years made by the Council.

The experience in managing a rapidly expanding capital programme over the last decade ensured the overall programme was managed within budget. There were no significant overspend within the year. (defined as over £10,000 or over 10% of a Project's Budget). The expected overspends here were quickly identified during the year and it was possible for authority to be given to continue despite the increased costs, as savings in excess of the additional costs had already been identified. Cost pressures across all projects amounted to under £34,000 for the year and this was easily accommodated by overall savings of £166,000. Higham Sport Pitches reports a £8,000 overspend on the year in addition to a £4,000 overspend at the previous year-end and the necessary work is still yet to be completed. Further expenditure is therefore expected during 2016/17 and this will be reported as an overspend in next year's report.

Close monitoring of expenditure within Accountancy Services and regular reporting to the Capital Programme Working Group, Corporate Management Team and Cabinet ensures proper control over expenditure is actively in place and the dangers of overruns in expenditure are largely de-risked with the Council having the ability to either contain any overspends from savings generated elsewhere on capital projects or place a number of projects on hold until the following year, should this prove necessary.

The Table below shows the spend by major categories of expenditure.

<b>Table 1</b>	<b>Spend by Area</b>	<b>£000</b>
	Housing Projects	1,144
	Community & Leisure Projects	1,509
	Internal Projects	559
	<b>Total</b>	<b>3,212</b>

In line with the Council's overall financial strategy and its commitment to bring down its revenue spend over future years, the Council set its capital programme on the premise of avoiding additional borrowing and thereby continuing to avoid additional interest charges associated with this course of action. This strategy continues forward from previous years and ensures the capital programme is aligned to the overall financial objectives of the Council.

The Capital Programme was therefore funded for the tenth consecutive year using only available internal resources or external funding. This approach ensures that additional financial burdens are not placed on local taxpayers into the future. Our approach also seeks to maximise the Council's leverage position and gear as much expenditure as possible from external sources into the Borough.

## Table 2 Funding Sources

Table 2 below, provides the details of the mix between the different types of funding sources used to finance the capital programme in 2015/16. Despite the availability of external funding, it is a key priority of the Council to ensure maximum value for money is achieved when spending these sums and we look to gear the funding whenever possible by cross matching it with partners, and other funding bodies to achieve maximum impact.

<b>Capital Expenditure Funding Sources for 2015/16</b>	
Section 106 composite	£ 55,203
HMR Funding	£ 16,671
Clusters of Empty Homes Fund	£ 656,931
Specified Capital Grants & Contributions	£ 511,302
PRG contributions to Capital	£ 1,576
Direct Revenue Funding - various	£ 54,610
Cabinet Action Fund	-£ 46
Transitional Grant - THI	£ -
Revenue - Invest to Save	£ 117,027
Revenue - Revenue Reserve Underspends	£ 73,886
Council Tax Freeze Grant	£ 213,507
Capitalisation Fund Grant	£ -
Efficiency Support Grant	£ 541,606
New Homes Bonus Grant	£ 234,745
Disabled Facility Grants	£ 432,183
	£ 2,909,201
	£ -
Lancs Environmental Fund - Debtor	£ 60,881
Forestry Commission - Debtor	£ 70,111
Lottery - Debtor	£ 111,312
Windfall - Debtor	£ 2,000
OLEV - Debtor	-£ 137
Football Foundation - Debtor	£ 58,861
<b>Total</b>	<b>£ 3,212,229</b>

The Government in response to the worldwide economic recession has severely curtailed money made available to Local Government for capital investment. Future funding of capital expenditure will now have to rely upon existing Capital reserves, the generation of capital receipts, accessing grants from 3<sup>rd</sup> parties and transfers of funding from Revenue.

Our funding strategy has avoided the need to reduce the Council's Capital Receipts Unapplied Account during the year and the balance remains at £1.8m to fund future years' capital expenditure. Our current predictions suggest the Council will need to commence funding its capital programme in 2018/19 from purely revenue sources, unless it is able to secure additional capital receipts or external grants over the next 2 years.

The major high spots within the Capital Programme this year were:

- The continuing extensive steps taken to regenerate and improve the housing offer across Hyndburn with £710,000 spent on acquiring and renovating a large number of properties, particularly around Woodnook.
- Over £432,000 spent on assisting those with disabilities, to allow them to continue to live independent lives at home.
- A further £268,000 spent on improvements to Accrington Town Hall to modernise the Ballroom and the facilities in the building to allow the grandest building in the Town Centre to fully function as a venue of choice for a wide variety of civic and private functions and help boost the town centre economy, as part of the proposed £6m major reinvestment into the Town Centre over the next few years.
- Over £450,000 spent on renovating the Stable Block at the Haworth Art Gallery to restore this dilapidated area and create a new facility for the arts and crafts in Hyndburn and boost the leisure offer in the area
- Almost £260,000 spent to improve the Sports facilities across Hyndburn with £148,000 invested to uplift the changing room offer at Hyndburn Sport Centre and the creation of a women's only facility at Great Harwood to encourage exercise take-up and facilitate health improvements in the local population.
- There was also over £86,000 invested to improve our facilities in our cemetery and cremation facilities

In addition a wide range of community projects were undertaken at a local level with play areas developed or upgraded, investments made in energy conservation measures and necessary building work and investment in infrastructure and vehicles undertaken. Further details are provided in Appendix 1.

Permission for Slippage for £4.6m of expenditure and £3.6m of funding has been requested and is detailed at Appendix 2. This will be submitted to the Audit Committee for approval in June 2016. Overall savings on the Capital Programme this year totalled £166,000 which represents 1.5 % of the original budget.

## Receipts

In the current economic climate we had anticipated that the generation of receipts would continue the pattern of previous years and remain suppressed and this proved to be the case. However we were able to generate £157,000 of general capital receipts from the sale of land during the year and £57,000 of earmarked receipts (mainly relating to the HMR programme).

This trend, in suppressed sales and value is expected to continue as there is both a lack of developers to make acquisitions and a soft market, making sales at current values unattractive in many cases.

## Treasury Management

The year-end figures are provided below at Table 3.

The Capital Financing Requirement was reduced by just over £350,000 compared to the previous year and we have now lowered this figure from £12,255,000 to £10,703,000 in four years. We maintained our Ratio of Financing Costs to Net Revenue Stream at 4% of the Net Revenue Stream and due to our approach to Capital Financing this year the incremental impact on the Capital Investment Decisions on Council Tax was zero indicating that there was no cost to council tax payers from our capital investment decisions this year.

## Table 3 Prudential Indicators

	Actual Outturn 2014/15 £'000	Original Indicator Estimate 2015/16 £'000	Latest Estimate 2015/16 £'000	Actual Outturn 2015/16 £'000
<b>Prudential Indicators - Latest Estimate</b>				
Capital Financing Requirement (CFR)	11,058	10,564	10,772	10,703
Estimated Capital Expenditure General Fund	4,191	9,151	10,751	3,161
Ratio of Financing Costs to Net Revenue Stream	4%	4%	4%	4%
Impact of Capital Investment Decisions on the Council Tax	-£3.13	£1.32	£0.00	£0.00

## Reasons for Recommendations

Not applicable.

## Alternative Options considered and Reasons for Rejection

Not applicable

## Implications

Issue	Comments
Financial (including mainstreaming)	As outlined in the report
Legal	Not applicable
Assessment of Risk	There are no additional risks stemming from this report.
Equality	There are no Equality issues stemming from this report
Key Decision	No

## Consultations

Not applicable

## Links to Corporate Priorities

Priority	Comments
Corporate Governance and Community Leadership	The report deals with the Council's duty to manage its finances and service delivery priorities.
Community Safety	Elements of the report impact on this area as spending decisions.
Housing and the Environment	Elements of the report impact on this area as spending decisions.
Economy and Employment	Elements of the report impact on this area as spending decisions.
Culture and Leisure	Elements of the report impact on this area as spending decisions.
Other priorities with partners: Health and Social Care Education and Lifelong Learning	Elements of the report impact on this area as spending decisions.

## Local Government (Access to Information) Act 1985:

Council 26<sup>th</sup> February 2015

[Capital Programme 2015/16](#)

## Freedom of Information

The report does not contain exempt information under the Local Government Act 1972, Schedule 12a and all information can be disclosed under the Freedom of Information Act 2000.

**Capital Programme  
2015/16  
Variance Analysis**

	Approval		
Scheme	2015/16		
	Gross Amount	Total Expenditure 2015/16	Variance (under) / over
HAG Stables & Motor House	524,498	452,697	(71,801)
Alice Garden	3,162		(3,162)
Haworth Park Events Area	939	304	(635)
West End Play Area	7,362	7,708	346
Milnshaw Park MUGA	75,866	75,866	
Highams Pitch Drainage Scheme	0	7,726	7,726
Spouthouse Woodland	13,029	15,514	2,485
Clayton Forest / Barn St Woods	87,936	87,290	(646)
Woodnook & Rothwell Woodland Imps	55,213	55,938	725
Bullough Park Changing Pavillion	25,000		(25,000)
Interceptor Drainage @ Higham PF	3,200	1,805	(1,395)
Royds St & Woodnook Improvements LNR	35,000	33,997	(1,003)
Forest School & Rothwell Woodland	8,873	7,789	(1,084)
Hyndburn Leisure Centre Artificial Turf Pitch	40,173	31,599	(8,574)
HLC Energy Efficiency Imps PH2 & Mechanical & Electrical Investment	152,857	120,630	(32,227)
HLC Changing Room Development - conversion of squash courts	149,567	148,554	(1,013)
MHLC Health & Toning Facility	112,000	110,830	(1,170)
HLC - Fire Systems Renewal	30,000		(30,000)
HLC External Door & Window Replacement	25,000	24,500	(500)
MHLC Pool Refurb	7,739	7,739	
5 Aside Football Cages - 2016/17	225,000		(225,000)
Clayton Civic Hall	50,000		(50,000)

Technology Refresh (annual replacement programme)	28,121	28,126	5
Inspire Software	7,131	7,055	(76)
Northgate Software System	4,500		(4,500)
Cycle Storage Willows Lane	3,500	3,500	
Acc Town Hall - Fire Alarm Panel Renewal	0	3,878	3,878
Acc Town Hall Improvements	351,107	268,606	(82,501)
Coppice & Arden Hall Improvement	48,742		(48,742)
Accrington Townscape Heritage Initiative	3,000,000		(3,000,000)
Electric Vehicle Rapid Charge Point	0	(1,480)	(1,480)
Aspen Colliery Coke Ovens	11,750	8,062	(3,688)
Cemetery Road Extension	65,000	62,651	(2,349)
Acc Crematorium Internal Refurbishment	17,000	18,566	1,566
Cannon St Cabling	8,452	8,452	
Planned Asset Maintenance	100,000	84,326	(15,674)
Queen Street Bus Shelter	5,852	5,852	
Brake Testing Units	37,000	40,987	3,987
CVMU Diagnostic Equipment	5,680	5,680	
Vehicle Replacement	260,100	154,281	(105,819)
Christmas Decorations Replacement	15,000	14,850	(150)
Allotments Regeneration	7,000	5,782	(1,218)
Local Area Management Capital Improvement Schemes	310,698	60,254	(250,444)
Gatty Park Memorial Square £15k funded from Area Council	12,092	12,276	184
Sports Facility Improvement at Lyndon Playing Fields	500,000		(500,000)
Future Vehicle Replacement Set Aside	50,000	50,000	
Bullough Park Playground Upgrade	55,000		(55,000)
Rhyddings Park Project	1,461,000		(1,461,000)
Development of Norden Playing Fields	280,000		(280,000)
Capitalised Salaries	107,945	65,675	(42,270)
Housing Market Renewal Programme	511,934	16,671	(495,263)
Clearance - Pendle St PH1	383,349	7,005	(376,344)
Disabled Facilities Grant	487,290	432,183	(55,107)

Special Disabled Facilities Adaptations	3,490	439	(3,051)
16 China St Renovation	31,457	1,136	(30,321)
Cluster of Empty Homes Programme	1,275,589	656,931	(618,658)
<b>TOTAL EXPENDITURE ALL SCHEMES</b>	<b>11,078,193</b>	<b>3,212,230</b>	<b>(7,865,963)</b>

## Appendix 2

### Application for Roll Forward Of Capital Programme 2015/16 to 2016/17

	Slippage Exp	Slippage Inc	Slippage Net
<b>Approved Expenditure</b>			
HAG Stables & Motor House	71,801	-63,888	7,913
Clayton Forest / Barn St Woods	646	-646	0
Bullough Park Changing Pavillion	25,000		25,000
Royds St & Woodnook Imps LNR	1,003	-1,003	0
Woodland	1,084	-1,084	0
HLC Energy Efficiency Imps	32,227		32,227
Squash Courts	1,013	-1,013	0
HLC - Fire Systems Renewal	30,000		30,000
5 a-side Football Cages	225,000	-225,000	0
Acc Town Hall Improvements	82,501	-82,501	0
Aspen Colliery Coke Ovens	3,500	-3,500	0
Planned Asset Improvement Programme	15,000		15,000
Allotments Regeneration	461	-231	230
Area Council	248,259		248,259
Sports Facility Imps Lyndon Playing Field	500,000	-425,000	75,000
Bullough Park Playground Upgrade	55,000	-30,000	25,000
Rhyddings Park Project	1,461,000	-1,411,000	50,000
Norden Playing Fields Development	280,000	-205,000	75,000
Transitional Housing Programme	495,263	-495,263	0
Clearance Pendle St	376,344		376,344
Disabled Facilities Grant	55,107	-16,752	38,355
Special Disabled Facilities Adaptations	3,051	-3,051	0
16 China Street Renovation	30,321	-30,321	0
Cluster of Empty Homes Programme	618,658	-618,658	0
<b>TOTAL EXPENDITURE</b>	<b>4,612,239</b>	<b>-3,613,911</b>	<b>998,328</b>