

Capital Programme Monitoring Outturn & Treasury Performance 2014/15

Committee: Audit Committee

Date: 16 June 2015

Author: Cabinet Member for Finance
Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the 2014/15 Capital Programme position as at the end of March 2015 and the Treasury Management performance for 2014/15.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the latest 2014/15 Capital Programme position as at financial year end.
- 2.2 Approve the changes to the Capital Programme detailed in paragraphs 3.4 to 3.7.
- 2.3 Note the 2014/15 Treasury Management performance as detailed at paragraphs 3.10 to 3.21 and Prudential Indicators shown at Appendix 2

3. Detail

Capital Programme 2014/15

- 3.1 Table 1 below provides a summary of the forecast out-turn position compared with the approved total scheme budgets, as at the end of March 2015. The projected out-turn position represents the expected total spend for the scheme to completion over all remaining years and includes schemes for 2015/16 approved at February Cabinet.

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Table 1 – Budget Forecasts and Variances

	Remaining Budget 14/15	Forecast Spend to completion	14/15 Spend	Forecast Variance
Group	£'000's	£'000's	£'000's	£'000's
Community Works	8,112	8,112	3,738	0
Corporate Projects	26,589	26,323	14,934	(266)
S106	19,240	19,240	4,995	0
Schools	35,297	34,865	18,395	(432)
Social Care	2,743	2,631	919	(112)
Transport	17,422	17,185	8,490	(237)
GF Services	109,403	108,356	51,471	(1,047)
Housing Revenue Account (HRA)	31,651	31,561	12,658	(90)
Service Totals	141,054	139,916	64,128	(1,137)

3.2 Appendix 1 provides a full scheme by scheme breakdown of variances by project, but the key ones relate to:

3.2.1 Savings across several school projects that have been completed under budget:

- £50k relating to the scheme at Red Oaks Primary School.
- £520k relating to the scheme at St Francis Primary School.
- £20k relating to the scheme at Rodbourne Cheney Primary School.
- £41k relating to the scheme at The Ridgeway School.
- £55k relating to the redesign works at Haydonleigh Primary School.
- £32k relating to additional places at Orchid Vale Primary School

3.2.2 Over spend across several school projects:

- £200k for additional external works due to re-measurement of ground works & external works at Even Swindon Primary School.
- £30k for additional works at The Chalet School. These works had to be completed over the Christmas period which incurred additional cost, and adverse weather and ground conditions also contributed to further cost increases

Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

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- £25k due to some additional roof works required at Commonweal School.
- £33k to install Fire Doors at Ridgeway School.

3.2.3 Savings across several Corporate projects that are forecasting coming in under budget:

- Disabled Facilities Grant which is demand led and not anticipated to be fully spent, and carried forward to 2015/16 Budget.
- Savings of £227k relating to Davis Place Car Park, which is not proceeding.
- Savings of £112k relating to non-delivery of Extra Care Projects.
- Overspend of £31k for ventilation works at Sanford House.

3.2.4 Savings of £90k for the HRA funded project at The Circle completed under budget will be returned to the HRA Reserves.

3.3 Table 2 below shows how the current approved programme identified at Table 1 is being funded:

Table2: Capital Programme funding

	<u>Current Budget Requirement</u>	<u>Requiring Approval</u>	<u>Future Budget Requirement</u>
Expenditure	£'000s	£'000s	£'000s
Budget	141,053	1,359	142,412
Contingency	3,279	0	3,279
Balance to be financed:	144,332	1,359	145,691
Capital Receipts	6,775	0	6,775
S106 Deposits	31,552	282	31,834
Grant Funding	51,187	377	51,564
Revenue Contributions	2,919	0	2,919
HRA balances	30,351	0	30,351
Borrowing Requirement – CFR increase	21,548	700	22,248
Total	144,332	1,359	145,691

Changes to the Programme

3.4 Cabinet is asked to approve the following Changes to the Programme:

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- 3.4.1 Although grant funding is not ring fenced specifically for Education, there is an expectation from the Department of Education that it will be used to support this area. It is recommended that the reported underspend in Table 1 on Schools schemes (£432k) is retained once related schemes have finished to offset either future budget pressures on existing approved schemes or new Education schemes. Use of the under spend will be identified in future reports as it is utilised.
 - 3.4.2 A S106 funded budget of £109k for Wichelstowe Off Site Landscape and Nature Conservation.
 - 3.4.3 A budget of £92k for Pedestrian crossing at The Street & Thames Ave, funded by £81k S106 contributions & £11k from Local Transport Grant.
 - 3.4.4 A S106 contribution of £92k towards improvements to the Sports Hall at Warneford School.
 - 3.4.5 To note a £700k approval under a cabinet member decision note for works to the Dynamatic site and the inclusion from the 2015/16 quarter 1 Capital programme of the £1.9m superfast broadband scheme agreed at March Cabinet, which is part funded by capital grant.
 - 3.4.6 In February 2015, Cabinet approved the inclusion of a number of Strategic Highways Projects, funded through the Growth Deal, in the capital programme. One of these related to Junction 16 works required as a result of the Wichelstowe Development, which attracted grant of £5.92m. The total estimated scheme cost at this stage is £11.54m, with the balance to be funded through the Wichelstowe Joint Venture. It is recommended that the total scheme cost is included in the capital programme.

Waterside

- 3.5 In February 2015, Cabinet noted that between £3m and £4m would be needed in capital investment to ensure that the Waterside Depot site is safe, fit for purpose, compliant and able to meet the increasing demand on the services delivered from the site. The key areas of works included drainage systems, site access, egress and circulation and the condition of buildings and the site in general.
- 3.6 As Cabinet has already approved £1.8m (£800k in February 2014 and £1m in April 2015) to enable work to progress towards identifying appropriate solutions to the issues on the site, Cabinet is now requested to formally agree that a balance of £2m be included within the capital programme, from the £3m to £4m referred to above.
- 3.7 Since the April 2015 Cabinet approval, further work has been undertaken to develop the plans for the site and the tender packages, following the receipt of

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various site surveys (ground conditions, ecological, drainage etc) and consultation with external agencies including SSE. All of this work has enabled firmer costs to be established for undertaking the works required and allow the necessary works to be tendered in June 2015, in order that the works are completed before the peak demand period for the Household Waste Recycling Centre commences, in spring 2016.

Funding Position 2014/15

3.8 The total spend incurred in 2014/15 and how it was funded is shown below:

Table3: Capital Expenditure Funding

	£'000s
Capital Spend 2014/15	64,128
Funded by:	
Capital Receipts	1,506
S106 Deposits	10,259
Grant Funding	33,894
Revenue Contributions	459
HRA balances	11,412
Increase in Borrowing Requirement – General Fund CFR increase	6,598
Total	0

3.9 The overall (General fund and HRA) Capital Financing Requirement, ("CFR" - which represents the long-term borrowing requirement), is estimated to have decreased by £2.1m from the 2013/14 CFR of £457.1m. This is a reduction over the year to £455m, against actual debt of £253.7m. The CFR will be reconciled to the balance sheet after the closing of the accounts, and confirmed post-audit of the financial statements, and may change. Further detail is provided elsewhere within this report.

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Treasury Management Performance 2014/15

- 3.10 The Council is involved in two types of treasury activity: Borrowing for capital purposes and for temporary cash flow purposes and the investment of surplus cash.
- 3.11 The activity and performance in respect of each of these two activities is summarised in the sections below.

Borrowing

- 3.12 In 2014/15, no new long-term borrowing was taken out.
- 3.12.1 A number of long-term loans totalling £11.505m matured during the year, which were running at an average rate of 4.17%. Total long term debt has therefore decreased from £253.8m to £242.3m over the year. The average maturity period on all long term debt is 18 years.
- 3.12.2 Short-term borrowing decreased slightly from £12.8m to £11.5m. However, this does fluctuate daily as it is used to manage the Councils daily cash flow requirements.
- 3.12.3 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2014/15 was 3.55%. This is an increase of 0.13% from the previous financial year.

Investments

- 3.13 During 2014/15 there was an average daily investment balance of £64 million which was managed entirely in-house. The balance at year-end of £20.2m was a reduction from £55.4m at the same date of the previous year. This balance is comprised of working capital (where we hold cash temporarily as a result of timing differences between receipts and payments) as well as capital and revenue reserve balances. This balance was sufficient to manage the peaks and troughs of the Council's cash flows and provided the flexibility to choose longer investment periods, which provided higher interest rates.
- 3.14 In total, interest of £410k was earned in 2014/15 on these investments at an average rate of 0.64%. The average investment rate achieved in 2013/14 was 0.71%. Over the full year, this rate exceeded the "benchmark" 7-day rate of 0.34%, as well as the 3-month LIBOR (London Interbank Offer Rate) rate of 0.55%.
- 3.15 The Council's debt and investment position as at 31 March 2015 is summarised in the table below:

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Table 5 - Analysis of Debt and Investments

Debt & Investments	31/03/2014		31/03/2015	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	203,764	3.75%	192,259	3.74%
Long Term Debt Market	50,000	3.23%	50,000	3.23%
Total Long Term Debt	253,764	3.65%	242,259	3.64%
<i>Of which HRA</i>	<i>140,532</i>		<i>135,532</i>	
<i>Of which GF</i>	<i>113,232</i>		<i>106,727</i>	
Short-term Borrowing	12,800	0.35%	11,500	0.38%
Total Debt	266,564	3.42%	253,759	3.55%
Investments	(55,440)	0.71%	(20,186)	0.64%
Net Borrowing Position	211,124		233,573	

- 3.16 The paragraphs above detail the actual debt and investment positions at a point in time, but this does not take into account the need for future borrowing to fund existing commitments. As a result of very low interest rates over the past few years, new long-term borrowing has been deferred as it has been more cost effective to temporarily utilise internal balances rather than new loans to fund capital expenditure (due to interest lost on balances being lower than the cost of new loans).
- 3.17 The CFR represents the actual borrowing requirement based on existing capital programme approvals, irrespective of whether the underlying borrowing has actually been taken out or not.
- 3.18 The CFR is always higher than the actual level of borrowing, the difference being “internal borrowing” which represents the temporary funding of capital spend from cash balances in advance of external borrowing being taken out as explained at paragraph 3.17 above. The CFR has decreased from £457.1m to £455m over the year, which indicates a shortfall between the debt actually taken out and that ultimately required to fund existing commitments of £157.3m. At the average long-term debt rate of 3.64%, taking out this further requirement immediately would add around £5.7m to the annual revenue budget requirement and

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therefore this requirement is balanced over time between the cost of the interest payable on new loans against future interest rate forecasts.

- 3.19 The table below compares the CFR with the long-term debt position between the General fund and the Housing Revenue Account (HRA) and the resulting borrowing requirement. This excludes Public Finance Initiative (PFI) liabilities of £56,751k, which are, technically, part of the CFR calculation.

Table 6 – Capital Financing Requirement “CFR”

	GF	HRA	Total
	£k	£k	£k
Actual Long Term Debt	113,232	140,532	253,764
CFR	319,537	135,532	455,069
Further Borrowing Required	157,343	Nil	157,343

Prudential Indicators (PI's)

- 3.20 In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, the code sets out a basket of indicators that must be prepared and used. It should be noted that the prudential indicators are not for comparison between authorities, but are a means to support and record local decision-making. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 2.

Compliance with Treasury Limits

- 3.21 During the 2014/15 Financial Year all Treasury activity was carried out within the Council's Treasury limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 2.

4. Alternative Options

- 4.1 Any alternative options for specific areas are set out within the report.

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5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.4 A Diversity Impact Assessment (DIA) has not been completed as no new schemes requiring DIAs are included in this report.

Risk Management

- 5.5 There are no direct risks arising from this report.

6. Consultees

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Capital Monitoring scheme forecast detail.

- 8.2 Appendix 2 – Prudential Indicators

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme / Forward Plan for June 2015.