

# Report to Executive

Agenda  
Item:

**A.14**

Meeting Date: 21<sup>st</sup> November 2016  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO SEPTEMBER 2016  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD 33/16

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to September 2016. Some of the issues in this report are considered elsewhere on the agenda in RD36/16.

## Recommendations:

The Executive is asked to:

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to September 2016;
- (ii) Use the information in this report to inform the budget considerations for 2017/18 onwards.
- (iii) Approve the release of £44,000 from the Conservation Reserve to fund emergency work in relation to the Central Plaza as per OD.104/16.

## Tracking

Executive:	<b>21<sup>st</sup> November 2016</b>
Overview and Scrutiny:	<b>6<sup>th</sup> December 2016</b>
Council:	<b>n/a</b>

## **1. BACKGROUND**

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Chief Finance Officer is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. It is the responsibility of individual Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Chief Finance Officer.
- 1.2 All Managers receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated.
- 1.4 It is important to understand the distinction between capital and revenue expenditure.

**The general rule is that all expenditure must be treated as revenue expenditure unless it meets strict criteria allowing it to be treated as capital expenditure.**

Capital expenditure is for fixed assets such as acquisition of land and buildings, construction, conversion or enhancement of existing buildings, or the purchase of new technology, vehicles, plant, machinery or equipment that yields benefits to the Council and the services it provides for more than one year.

Revenue expenditure is for the day to day running costs of providing Council services such as staff costs, premises, transport, and goods and services used in the delivery of services.

## **2. CAPITAL BUDGET OVERVIEW**

- 2.1 The following statement shows the annual capital programme for 2016/17:

<b>2016/17 Capital Budget</b>	<b>£</b>
<b>2016/17 Capital Programme (RD07/16 Council 19/07/16)</b>	<b>10,018,800</b>
Minor Works Grants (ED09/16 Executive 04/04/16)	73,300
Section 106 & Grants for Play Areas & Open Space Improvements (LE10/16 Executive 04/07/16)	149,400
Direct Revenue Financing Play Areas	29,000
Additional External Grants for Play Area Improvements	52,000
Broadband Connection Vouchers (OD.075/15 29/06/15)	2,600
Direct Revenue Financing Vehicle Replacement	20,100
Increase for schemes funded from insurance settlements	94,800
<b>Revised 2016/17 Capital Programme (at Sept 2016)</b>	<b>10,440,000</b>
Less Capital Reserves to be released by Executive	(580,000)
<b>Revised 2015/16 Capital Programme (released)</b>	<b>9,860,000</b>

2.2 A breakdown of the revised capital programme can be found in **Appendix A**.

### 3. 2016/17 BUDGET MONITORING

3.1 The position statement as at September 2016 can be summarised as follows:

<b>Directorate</b>	<b>Revised Annual Budget £</b>	<b>Budget to Date £</b>	<b>Spend to date £</b>	<b>Variance to date £</b>	<b>Para. Ref.</b>
Chief Executive's Team	0	0	0	0	-
Deputy Chief Executive's Team	1,694,900	500,000	500,634	634	-
Economic Development	1,509,800	921,935	929,914	7,979	3.3
Governance	1,705,300	763,604	738,338	(25,266)	-
Local Environment	4,552,600	1,051,044	506,524	(544,520)	3.4
Resources	90,100	67,510	184,167	116,657	3.5
Flood Related Capital	307,300	201,094	159,376	(41,718)	
<b>Total</b>	<b>9,860,000</b>	<b>3,505,187</b>	<b>3,018,953</b>	<b>(486,234)</b>	
Reserves to be released	580,000	0	0	0	3.6
<b>Total</b>	<b>10,440,000</b>	<b>3,505,187</b>	<b>3,018,953</b>	<b>(486,234)</b>	

Schemes still to be released by the Executive have been removed from the budget monitoring process until the budgets have been released.

A detailed analysis of the schemes within each directorate can be found in **Appendices B to G** with the main issues being summarised in the paragraphs below.

3.2 As at the end of September, expenditure of £3,018,453 has been incurred. When considered against the profiled budget of £3,505,187 this equates to an underspend of £486,234.

The unspent balance remaining of the revised annual budget of £9,860,000 is £6,841,047. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

- 3.3 The variance in Economic Development is attributable to the following:
- (i) An underspend on Old Town Hall due to outstanding retention.
  - (ii) An overspend on Central Plaza due to work undertaken under emergency measures to be funded from the Conservation Reserve as detailed in Officer Decision Notice 104/16 with a formal funding request forming part of this report.
- 3.4 The variance in Local Environment is attributable to the following:
- (i) An underspend on Disabled Facilities Grants. The take up of DFGs is always slower at the start of the financial year and the position will be closely monitored to determine whether this will be an ongoing trend. The grant allocation received for DFGs for 2016/17 is also significantly higher than the previous year.
- 3.5 The variance in Resources is attributable to the following:
- (i) A net overspend on DIS Strategy & RBS ICT upgrades to date. There is budget of £200,000 available for ICT Infrastructure subject to release by the Executive.
- 3.6 A number of schemes are included in the capital programme for 2016/17 that require reports to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £
Old Town Hall / Greenmarket	380,000
ICT Infrastructure	200,000
<b>Total Reserves to be released</b>	<b>580,000</b>

#### 4. FINANCING

4.1 The 2016/17 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
<b>Total Programme to be financed (para 2.1)</b>	<b>10,440,000</b>	<b>9,860,000</b>
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	3,629,300	3,049,300
Capital Grants		
• Disabled Facilities Grant	1,467,300	1,467,300
• General	2,404,200	2,404,200
Direct Revenue Financing	2,175,700	2,175,700
Other Contributions	753,700	753,700
Earmarked Reserves	9,800	9,800
<b>Total Financing</b>	<b>10,440,000</b>	<b>9,860,000</b>

#### 5. CAPITAL RESOURCES

5.1 The following table shows the position as at September 2016 of the capital resources due to be received during 2016/17:

	2016/17 Budget £	2016/17 Actual £	2016/17 Not yet received £	Note
Capital Receipts				
• General	0	(62,000)	(62,000)	1
• Asset Review	(2,000,000)	(333,250)	1,666,750	1
• Vehicle Sales	0	(1,032)	(1,032)	2
• Renovation Grants repaid	0	0	0	
• PRTB Sharing agreement	(150,000)	0	150,000	3
Capital Grants				4
• Disabled Facilities Grant	(1,467,300)	(1,467,316)	(16)	
• Durranshill Industrial Estate	(1,157,800)	(1,157,763)	37	
• Lawn Tennis Association	(400,000)	0	400,000	
• British Cycling	(650,000)	0	650,000	
• General	(123,100)	(70,140)	52,960	
Capital Contributions				
• Section 106	(753,700)	(31,228)	722,472	5
• General	0	(57,254)	(57,254)	6
<b>Total</b>	<b>(6,701,900)</b>	<b>(3,179,983)</b>	<b>3,521,917</b>	

Notes:

1. Receipts for 2016/17 are anticipated to be received from asset review sales (£2,000,000). The asset review sales anticipated to be received have been revised downwards in line with the updated expectations included within the Capital Strategy that was approved by Council in September.

2. Included within vehicle sales are receipts of £1,032 for individual vehicle sales that are below the de minimis of £10,000 for capital receipts. These will be transferred to revenue at the year end and will be used to fund the capital programme in line with the capital strategy.
3. PRTB income for the year is received on 28 April following the year-end but is accrued into the relevant year. Based on the 6 sales as at September 2016, the current payment due to the Council for 2016/17 is £103,243; however it should be noted that updated information recently received from Riverside Group suggests that the income from PRTB receipts for 2016/17 is likely to be approximately £164,000 with a maximum of 10 sales projected during the year.
4. Capital grants are received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body.
5. Contributions from Section 106 agreements to Castle Way scheme (£329,700), Public Realm S106 (£62,100), Crindledyke Cycleway (£281,000), Play Area Developments (£33,900) and Open Space Improvements (£47,000).
6. Additional contributions received towards Disabled Facilities Grants (£32,254) and Public Realm (£25,000).

## **6. BALANCE SHEET MANAGEMENT**

- 6.1 In line with CIPFA guidance and best practice, information relating to significant capital items on the Council's balance sheet is provided in this section. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis and will ensure that the Council is using its resources effectively and that appropriate governance arrangements are in place around the use of Council assets and liabilities.
- 6.2 Fixed assets are revalued annually to ensure that an up to date value is held in the balance sheet. The revaluation programme is the responsibility of Property Services. It should be noted that some expenditure will be incurred during the course of the year which can be correctly classified as capital expenditure, but which will not increase the value of any of the Council's assets. This expenditure is written off to the revaluation reserve or through the Comprehensive Income and Expenditure Account as appropriate.

- 6.3 The value of fixed assets is a significant part of the balance sheet. In the 2015/16 accounts, fixed assets totalled £160million (2014/15 £153million). This represents 95% of the net current assets of the City Council.
- 6.4 Debtors  
This relates to the amount of income due to the Council that has not yet been received. For capital items, this mainly relates to grants and contributions that the Council is able to claim towards funding capital expenditure, and receipts for the Council's share of the PRTB (Preserved Right to Buy) agreement. Generally capital debtors arise due to timing differences where a cut off point occurs (e.g. the financial year-end) and/or expenditure has been incurred in advance of making the grant claim. As at September 2016 debtors of £11,935 (£1,141,427 at 31 March 2016) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2015/16 were received in April in accordance with the agreement.
- 6.5 Creditors  
This is the amount of money due to be paid by the Council for goods and services received from its external customers and contractors. For capital schemes this also includes retentions i.e. the amount due to the contractor after a specified period (normally one year) following the completion of a project; this time is used to assess and correct any defects outstanding on the scheme. Amounts earmarked for retention as at September 2016 totalled £55,260 (£113,890 at 31 March 2016).

## **7. PERFORMANCE**

- 7.1 The 2016/17 programme has been kept to a level that takes account of the Council's ability to deliver schemes with regard to capacity and available resources. Work is ongoing to continue to monitor the profiling of budgets, and these are adjusted to reflect progress in current capital schemes. It is likely that there will still be a requirement for some carry forwards at the year end due to further slippage and delays on projects. Members are reminded that budgets totalling £580,000 are being held in reserves until approved by Executive for release.
- 7.2 The Senior Management Team will provide strategic overview and monitor the effectiveness of the overall programme of work in delivering the Council's priorities and objectives. Technical project support and quality assurance of business cases and associated project management activities will be managed by a Corporate Programme Board chaired by the Chief Executive. Decisions to proceed or otherwise with proposed projects will be made in the usual way in accordance with the Council decision making framework.

- 7.3 A review of all capital expenditure incurred is ongoing to ensure that the expenditure has been correctly allocated between revenue and capital schemes. This will facilitate the year end classification of assets.

## **8. CONSULTATION**

### **8.1 Consultation to Date**

SMT & JMT have considered the issues raised in this report.

### **8.2 Consultation Proposed**

Resources Overview & Scrutiny Panel will consider the report on 6 December 2016.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

### **9.1 The Executive is asked to:**

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to September 2016;
- (ii) Use the information in this report to inform the budget considerations for 2017/18 onwards.

## **10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

### **10.1 The Council's capital programme reflects the current priorities in the Carlisle Plan.**

**Contact Officer: Emma Gillespie**

**Ext: 7289**

**Appendices A to G  
attached to report:**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

## **CORPORATE IMPLICATIONS/RISKS:**

**Chief Executive's – Not applicable**

**Deputy Chief Executive's – Not applicable**

**Economic Development – Not applicable**



**Governance** – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

**Resources** – Financial implications are contained in the main body of the report.

**2016/17 CAPITAL PROGRAMME**
**APPENDIX A**

Scheme	Original Capital Programme 2016/17 £	Other Adjustments £	Revised Capital Programme 2016/17 £
<b><u>Current non-recurring commitments</u></b>			
Public Realm (S106)	62,100	0	62,100
Castle Way (S106)	329,700	0	329,700
Arts Centre	47,900	0	47,900
Old Town Hall Phase 2	88,100	0	88,100
Tennis Facilities	497,000	0	497,000
Cycle Track Development	650,000	0	650,000
Harraby School and Community Campus contribution	500,000	0	500,000
Asset Review	992,900	0	992,900
Market Hall Roof	460,000	0	460,000
	<b>3,627,700</b>	<b>0</b>	<b>3,627,700</b>
<b><u>Recurring commitments</u></b>			
Planned Enhancements to Council Property	252,400	0	252,400
Vehicles, Plant & Equipment	1,818,100	20,100	1,838,200
DIS Infrastructure	44,900	0	44,900
	<b>2,115,400</b>	<b>20,100</b>	<b>2,135,500</b>
<b><u>Disabled Facilities Grants</u></b>			
Private Sector Grants	1,467,300	0	1,467,300
Minor Works Grants	0	73,300	73,300
	<b>1,467,300</b>	<b>73,300</b>	<b>1,540,600</b>
<b><u>Continuing Schemes</u></b>			
Crindledyke Cycleway	281,000	0	281,000
Durranhill Industrial Estate	1,157,800	0	1,157,800
Play Area Developments	1,500	183,400	184,900
Open Space Improvements	0	47,000	47,000
Kingstown Industrial Estate	9,800	0	9,800
Public Realm Improvements	261,300	0	261,300
Revenues & Benefits ICT Upgrades	45,200	0	45,200
Broadband Connection Vouchers	0	2,600	2,600
	<b>1,756,600</b>	<b>233,000</b>	<b>1,989,600</b>
<b>TOTAL</b>	<b>8,967,000</b>	<b>326,400</b>	<b>9,293,400</b>
<b><u>Capital Reserves to be released</u></b>			
DIS Infrastructure	200,000	0	200,000
Old Town Hall / Greenmarket	380,000	0	380,000
	<b>580,000</b>	<b>0</b>	<b>580,000</b>
<b>SUB-TOTAL</b>	<b>9,547,000</b>	<b>326,400</b>	<b>9,873,400</b>
<b><u>New non-recurring commitments</u></b>			
Vehicles, Plant & Equipment	259,300	0	259,300
Bitts Park Improvements	212,500	0	212,500
IC All Risk Flood	0	94,800	94,800
	<b>471,800</b>	<b>94,800</b>	<b>566,600</b>
<b>REVISED TOTAL</b>	<b>10,018,800</b>	<b>421,200</b>	<b>10,440,000</b>

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX B**

**DEPUTY CHIEF EXECUTIVE'S TEAM**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Art Centre	47,900	0	634	634	Project build completed and venue opened May 2015. Budget carried forward to provide for any uninsured costs associated with the rebuild after the floods.
Harraby School and Community Campus Contribution	500,000	500,000	500,000	0	Budget released by Executive 11/3/13 (SD02/13). Phased payments released as per agreement.
Tennis Facilities	497,000	0	0	0	Approved by Council 08/09/15 (SD16/15).
Cycle Track Developments	650,000	0	0	0	Approved by Executive 27/07/15 (SD13/15). Tender exercise complete.
<b>Grand Total</b>	<b>1,694,900</b>	<b>500,000</b>	<b>500,634</b>	<b>634</b>	

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX C**

**ECONOMIC DEVELOPMENT**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Public Realm Work	261,300	11,994	13,913	1,919	Budget released by Executive 10/03/14 (ED10/14). Additional budget released by Executive 07/04/15 (ED15/15). Project progressing.
Broadband Connection Vouchers	2,600	2,600	2,640	40	OD.075/15 (29/06/15) approved participation in this initiative which is fully funded by external grant.
Old Town Hall Phase 2	88,100	44,068	1,779	(42,289)	Budget carried forward to cover outstanding contractual payments. Project complete. Retention outstanding.
Durranshill Industrial Estate	1,157,800	863,273	867,899	4,626	Approved by Executive 15/01/14 (ED02/14). Revised programme of works approved by Executive 7/04/15 (ED14/15).
EA Central Plaza	0	0	43,683	43,683	Implementation of work under the Director of Economic Development's emergency powers with reference to the Building Act 1984 S78 Dangerous building - emergency measures (OD.104/16).
<b>Grand Total</b>	<b>1,509,800</b>	<b>921,935</b>	<b>929,914</b>	<b>7,979</b>	

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX D**

**GOVERNANCE**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Planned Enhancements to Council Property	252,400	78,899	74,906	(3,993)	Individual projects progressing as planned.
Market Hall Roof	460,000	0	0	0	Budget released by Executive 26/09/16 (GD51/16).
Asset Management Plan	992,900	684,705	663,432	(21,273)	Budget carried forward in relation to remaining payments from Escrow account & demolition costs.
<b>Grand Total</b>	<b>1,705,300</b>	<b>763,604</b>	<b>738,338</b>	<b>(25,266)</b>	

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX E**

**LOCAL ENVIRONMENT**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Play Area Developments	184,900	122,500	122,387	(113)	Approved by Executive 04/07/16 (LE10/16) funded by S106 monies, external grant and direct revenue financing. Schemes progressing as planned.
Open Space Improvements	47,000	0	0	0	Approved by Executive 04/07/16 (LE10/16) funded by S106 monies, external grant and direct revenue financing. Schemes still to progress.
Kingstown Industrial Estate Roads	9,800	0	0	0	Remaining budget required for additional public realm signage.
Public Realm (S106)	62,100	0	0	0	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies.
Castle Way (S106)	329,700	0	2,422	2,422	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies. Revised scheme being developed.
Crindledyke Cycleway (S106)	281,000	0	390	390	Approved by Executive 01/06/15 (LE10/15). Funded by Section 106 monies.
Vehicles & Plant	2,097,500	194,600	197,425	2,825	Approved by Executive 07/04/15 (LE09/15). Replacement of vehicle purchases in 2016/17 on target to date.
Disabled Facilities Grants	1,467,300	733,944	183,900	(550,044)	Mandatory Grants. The take up of DFGs is reduced due to a lower level of referrals. The position is being closely monitored. Grant allocation for 2016/17 is significantly higher than last year.
Minor Works Grants	73,300	0	0	0	Budget approved by Executive 04/04/16 (ED09/16).
<b>Grand Total</b>	<b>4,552,600</b>	<b>1,051,044</b>	<b>506,524</b>	<b>(544,520)</b>	

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX F**

**RESOURCES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
DIS Infrastructure	44,900	44,900	184,167	139,267	Part of DIS Strategy Business Case. Budget carried forward to accommodate contracts and orders placed to upgrade IT infrastructure, network & equipment. Additional £200,000 budget available subject to release by Executive.
Revenues and Benefits ICT Upgrades	45,200	22,610	0	(22,610)	Budget carried forward as part of DIS Strategy.
<b>Grand Total</b>	<b>90,100</b>	<b>67,510</b>	<b>184,167</b>	<b>116,657</b>	

**SEPTEMBER 2016 - CAPITAL BUDGET MONITORING**

**APPENDIX G**

**FLOOD RELATED CAPITAL EXPENDITURE**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
IC Buildings Flood Capital	0	0	21,947	21,947	Capitalisation of building improvements as a result of the flood.
IC Equipment Flood Capital	212,500	106,294	53,953	(52,341)	Capitalisation of equipment purchases as a result of the flood.
IC All Risk Flood Capital	94,800	94,800	83,476	(11,324)	Capitalisation of items purchased under the all risk insurance policy as a result of the flood.
<b>Grand Total</b>	<b>307,300</b>	<b>201,094</b>	<b>159,376</b>	<b>(41,718)</b>	