

Report to Executive

Agenda
Item:

A.1(b)

Meeting Date: 29th May 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.05/19
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL OUTTURN 2018/19 AND REVISED CAPITAL PROGRAMME 2019/20
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD.02/19

Purpose / Summary:

This report summarises the 2018/19 provisional out-turn for the capital budget and provides details of the revised capital programme for 2019/20. The out-turn shows that the net underspend for Council Services as at 31 March 2019 once committed expenditure totalling £2,253,900 is taken into account is £44,083.

It should be noted that the information contained in this report is provisional subject to the formal audit process. The draft Statement of Accounts for 2018/19 will be presented to the Audit Committee on 8 July, with final approval of the audited accounts on 30 July.

Recommendations:

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2019 of £44,083 which includes committed expenditure to be met totalling £2,253,900, which is recommended by the Corporate Director of Finance and Resources for approval to Council;
- (ii) Consider for recommendation to Council the ring-fencing of £120,000 capital receipts for repayment of a previous grant as set out in paragraph 4.1;
- (iii) Consider the revised programme for 2019/20, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council, subject to any future decisions made on the Sands Centre Redevelopment.

Tracking

Executive:	29 May 2019
Scrutiny:	BTSP 30 May 2019
Audit Committee:	8 July 2019
Council:	16 July 2019

1. BACKGROUND

- 1.1 This report sets out the summarised financial out-turn for the Council's Capital Programme as follows:
- (i) the out-turn for individual schemes for 2018/19, summarised in **Appendix A**
 - (ii) the revised programme for 2019/20, and the provisional programme for 2020/21 to 2023/24, summarised in **Appendix B**.
- 1.2 The report sets out the financial implications arising from the out-turn including the impact on capital resources for 2019/20. Members should note that the information contained in this report is provisional and subject to the formal audit process. Any significant changes required following the approval of the 2018/19 accounts will, if required, be reported to a future Executive meeting.
- 1.3 Please note that throughout this report the use of brackets indicates a favourable variance i.e. either an underspend or additional income received.

2. PROPOSALS

- 2.1 The original capital programme of £4,032,600 for 2018/19 was approved in February 2018. Since then, a review of the capital programme has been undertaken and the capital funding has been revised. In accordance with proper accounting practices it has been necessary to gross up the expenditure budgets to properly reflect the total cost of the schemes including those fully funded from external grant/contributions.

The revised programme for 2018/19 of £8,561,500 is a result of the following funding streams:

2018/19 Capital Budget	£
Original 2018/19 Programme (approved Feb 2018)	4,032,600
Agreed Carry Forwards from 2017/18 (RD44/17 Council 06/03/18)	1,100,000
Agreed Carry Forwards from 2017/18 (RD04/18 Council 17/07/18)	2,091,900
Reprofiling of Sands Centre Redevelopment (CS16/18 Council 06/03/18)	1,769,100
Revenue contribution towards Central Plaza (ED23/18 Council 17/09/18)	650,000
Revenue contribution towards Harraby Cycle Track (CS30/18 Executive 20/08/18)	38,000
Revenue contribution towards Property Acquisition (GD51/18 Executive 23/07/18)	150,000
Additional grant towards Disabled Facilities Grants (RD19/18 Executive 20/08/18)	293,200
S106 contributions towards Affordable Homes (OD.065/18)	41,500
S106 contribution towards Crindledyke Cycleway (OD.068/18)	10,000
S106 contribution towards Open Space Improvements (CS28/18 Executive 25/06/18)	84,500
Agreed Carry forwards into 2019/20 (RD26/18 Council 08/01/19)	(380,000)
Agreed Carry forwards into 2019/20 (RD36/18 Council 05/03/19)	(982,100)
Removal of Projects by Executive (RD26/18 Executive 12/11/18)	(542,000)
Release of earmarked capital receipts for Chancergate (OD.06/19)	200,000
External contributions/grants/receipts	68,300
Schemes funded by Revenue budgets/reserves	446,500
Revised 2018/19 Capital Programme	9,071,500
Less Capital Reserves to be released by Executive	(510,000)
Revised 2018/19 Capital Programme (released)	8,561,500

2.2 The provisional out-turn position for the 2018/19 capital programme is shown below:

Directorate	Revised Annual Budget	Total Expenditure	Variance	Carry Forwards (Committed)	Proposed Reductions	Revised Variance
	£	£	£	£	£	£
Community Services	3,287,200	2,139,600	(1,147,600)	941,800	400,000	194,200
- Subject to further reports	723,200	0	(723,200)	550,700	0	(172,500)
Corporate Support	402,500	331,038	(71,462)	14,000	0	(57,462)
Economic Development	909,500	710,029	(199,471)	196,400	0	(3,071)
Governance & Regulatory Services	3,239,100	2,610,412	(628,688)	619,100	0	(9,588)
Total	8,561,500	5,791,079	(2,770,421)	2,322,000	400,000	(48,421)
Capital Flood Recovery	0	72,438	72,438	(68,100)	0	4,338
Total	8,561,500	5,863,517	(2,697,983)	2,253,900	400,000	(44,083)
Reserves to be released	510,000	0	(510,000)	0	510,000	0
Total	9,071,500	5,863,517	(3,207,983)	2,253,900	910,000	(44,083)

Schemes still to be released by the Executive have been removed from the budget monitoring process until the budgets have been released; however, the £510,000 relates to the Business Interaction Centre which is no longer required as the scheme is not progressing. The removal of this project will result in £75,000 being returned to capital reserves and £134,300 back into the revenue general fund reserve. The balance (£300,700) was expected to be received as an external grant.

The project to improve Tennis Facilities at Bitts Park is no longer progressing and the budget of £400,000 funded from external grant is to be removed from the programme. A carry forward is made for the remaining Council's contribution of £94,000 to be redirected towards a Bitts Park reinstatement project. (Progression of this scheme will be subject to further reports to the Executive).

2.3 The position for 2018/19 after committed carry forwards have been taken into account is an underspend of £44,083.

2.4 There main variances after carry forwards are summarised below:

- An overspend of £19,872 on the purchase of Waste Receptacles.
- An overspend of £172,428 on the released funding for the Sands Centre Development to progress the scheme to RIBA Stage 4. The overspend will be funded by restricting the available budget to carry forward which will reduce the balance available for the construction phase of the scheme.
- An underspend of £12,262 on IT Services after a carry forward of £14,000 is taken into account.
- An underspend of £45,200 on RBS ICT Upgrades. No request has been made to carry this budget forward so the project is to be removed from the capital programme.
- An overspend of £11,661 on expenditure at Central Plaza. The additional spend will be funded by an increased revenue contribution.
- An underspend of £14,962 at Durranshill Industrial Estate due to refunds received from contractors.
- Expenditure incurred on flood reinstatement projects at the Civic Centre and Bitts Park of £68,126 for which a negative carry forward has been included to be funded from the Flood Reserve in 2019/20.

2.5 Otherwise schemes are progressing within budget, although some schemes have not been completed to the original timescales which has resulted in the request for carry forwards.

2.6 Further details for each directorate are included in **Appendices A1-A5**.

- 2.7 The 2018/19 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 has been carried out throughout the year to monitor the profiling of budgets and these have been adjusted to reflect progress in current capital schemes. The year end position for the capital programme is improved from previous years due to the implementation of the corporate reserves procedure and the improved profiling.

3. CARRY FORWARD REQUESTS

- 3.1 In accordance with the Council's Constitution, any net underspending/savings on service estimates under the control of the Director may be carried forward. This is to facilitate greater flexibility of budgets between years as set out in the Medium Term Financial Plan. Approval of carry forwards is subject to the following as contained in the Council's Constitution:

- *the authorisation of the Corporate Director of Finance and Resources where the request relates to a specific committed item of expenditure where, due to external or other factors, the Director has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally intended. The carry forward will only be approved by the Corporate Director of Finance and Resources if the expenditure is within both the Directorate's and the Authority's budget as approved for that year. Any carry forward which would result in an over-spend for the Authority will require authorisation by the Council.*
- *any overspending on service estimates in total on budgets under the control of the Director must be carried forward to the following year, and will constitute the first call on service budgets in the following year, unless the Council determines otherwise by way of a supplementary estimate. The Corporate Director of Finance and Resources will report the extent of overspending carried forward to the Executive, Business and Transformation Scrutiny Panel and to the Council.*

The delegated power applies only in so far as the carry forwards do not take the Council into an overspend position.

Carry forwards at the end of the year have been analysed to assess the year of potential expenditure to enable better profiling of budgets for future years. Of the committed carry forwards shown in paragraph 2.2, it is estimated that the full £2,253,900 will be spent in 2019/20.

4. FINANCING OF CAPITAL PROGRAMME 2018/19

- 4.1 Utilisation of resources to fund the 2018/19 Capital Programme in light of the out-turn is provisionally estimated as follows:

	Revised Budget £	Provisional Out-turn £
Capital Programme expenditure in year	9,071,500	5,863,517
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts) (note 1)	562,000	606,999
Capital Grants		
• Disabled Facilities Grant	1,760,500	1,760,573
• General (note 2)	764,100	39,345
Reserves & Balances (note 3)		
• Earmarked Reserves	9,800	0
• Direct Revenue Financing	2,526,400	2,110,317
Contributions from other bodies incl S106 (note 4)	337,000	289,115
Borrowing Requirement (In Year)	3,111,700	1,057,168
Total Financing	9,071,500	5,863,517

Notes:

1. There were no usable capital receipts carried forward from 2017/18. Capital receipts generated during the year amount to £606,999 compared to the revised estimate figure of £562,000, an increase of £44,999.

Included in the receipts is £120,000 from Durranhill Industrial Estate which is required to be ring-fenced for repayment of a grant in respect of a previous Durranhill capital project. It is recommended that the funds are earmarked for this purpose and release of the funds is delegated to the Corporate Director of Economic Development following consultation with the Chief Executive, the Corporate Director of Finance and Resources and the Portfolio Holder.

The total sum available, £606,999 has been used to fund the Capital Programme in 2018/19, with the balance of funding required (£1,057,168) being financed from an internal borrowing requirement that is significantly lower than anticipated.

2. Capital grants were budgeted for in relation to Business Interaction Centre (£300,700) and Tennis Facilities (£400,000) for which the projects are no longer progressing. It should also be noted that a grant of £10,000 towards Fusehill Street Play Area was not received and therefore an additional call on

capital reserves was required to fund this shortfall in income. £23,200 has been carried forward into 2019/20 to allow the schemes to complete

3. The use of capital receipts has been optimised in order to fund 2018/19 capital expenditure. Direct revenue funding, S106 receipts and earmarked reserves and provisions specifically set up to fund capital expenditure have also been used to fund capital expenditure in 2018/19. Capital receipts are the last source of funding applied to finance the capital programme, external funding is always applied first.
4. Additional contributions were received towards DFGs and Play Areas, and the use of Section 106 receipts towards Affordable Homes was less than budgeted. £46,400 has been carried forward into 2019/20 to allow the schemes to complete.

5. FIVE YEAR CAPITAL PROGRAMME

- 5.1 A five-year Capital Programme for 2019/20 to 2023/24 is detailed in **Appendices B1-B2**.
- 5.2 The programme for **2019/20** totalling £28,739,700 is based upon the programme as agreed by Council in February 2019 of £25,071,200, the commitments brought forward from 2018/19 as identified above of £2,253,900, the commitments brought forward from 2018/19 already approved of £982,100 and an increase of £432,500 for additional Disabled Facilities Grant awarded which has only recently been advised and totals £1,899,764.
- 5.3 The 2019/20 programme will be continually reviewed to ensure the Council has the capacity to deliver this level of programme. The programme for 2019/20 and 2020/21 may be amended depending upon decisions made in respect of the Sands Centre Redevelopment, considered elsewhere on the agenda.
- 5.4 It is suggested that the revised programme for 2019/20 as detailed in Appendix B1 is financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	25,071,200	25,071,200
Add: Carried forward from 2018/19 (in Year)	0	982,100
Add: Carried forward from 2018/19 (Year End)	0	2,253,900
Add: Other adjustments to programme	0	432,500
Total Expenditure to be financed	25,071,200	28,739,700
<u>Financed by:</u>		
Capital Grants		
• DFG	1,467,300	1,899,800
• General	2,000,000	2,024,700
Capital Receipts	1,700,000	1,700,000
Contributions from other bodies	0	130,900
Direct Revenue Financing	1,316,400	1,566,700
Borrowing Requirement (In Year)	18,587,500	21,417,600
Total Financing	25,071,200	28,739,700

- 5.5 The proposed programme for **2020/21** to **2023/24** as detailed in Appendix B2 is based on the programme agreed by Council in February 2019 and the recommendations made in this report.

6. RISKS

- 6.1 Individual capital schemes have different risks involved.

7. CONSULTATION

- 7.1 Consultation to Date.

Portfolio Holders and SMT have considered the issues raised in this report.

- 7.2 Consultation Proposed.

Business and Transformation Scrutiny Panel will consider the report on 30 May 2019.

8. CONCLUSIONS AND REASONS FOR RECOMMENDATIONS

- 8.1 The Executive is asked to:

- (i) Note the net underspend as at 31 March 2019 of £44,083 which includes committed expenditure to be met totalling £2,253,900, which is recommended by the Corporate Director of Finance and Resources for approval to Council;
- (ii) Consider for recommendation to Council the ring-fencing of £120,000 capital receipts for repayment of a previous grant as set out in paragraph 4.1;

- (iii) Consider the revised programme for 2019/20, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council, subject to any future decisions made on the Sands Centre Redevelopment.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

9.1 The Council's capital programme supports the current priorities in the Carlisle Plan.

Contact Officer: Emma Gillespie

Ext: 7289

Appendices A1 to A5 and B1 to B2
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:

LEGAL – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the outturn figures is part of this process. Approval of full Council is required for the use of capital reserves to fund expenditure commitments as set out in the report.

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

EQUALITY – This report raises no explicit issues relating to the public sector Equality Duty. It is worth noting that the report includes the increase in funding for the Disabled Facilities Grants (DFGs).

INFORMATION GOVERNANCE – There are no information governance implications.

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2018/19

APPENDIX A1

COMMUNITY SERVICES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Proposed Reductions £	Adjusted Variance £	Details of major variance
Cemetery Infrastructure	30,000	18,809	(11,191)	11,200	0	9	Footbridge improvements underway and due to be complete early 2019/20.
Vehicles & Plant	1,092,000	263,122	(828,878)	828,800	0	(78)	Slippage of planned vehicle replacements in 2018/19 into 2019/20. Revised replacement plan is being developed.
Play Area Developments	94,100	92,914	(1,186)	0	0	(1,186)	Individual schemes progressed as planned.
Crindledyke Cycleway (S106)	173,600	177,741	4,141	0	0	4,141	Funded by Section 106 monies. Phase 2 complete.
Green Gyms	40,300	32,500	(7,800)	7,800	0	0	Budget released by Executive 30/05/18 (CS27/18). Carry forward required of contributions to work now planned for 2019/20.
Tennis Facilities	502,900	8,869	(494,031)	94,000	400,000	(31)	Approved by Council 08/09/15 (SD16/15). Project no longer progressing, carry forward requested to be transferred to Bitts Park reinstatement project.
Cycle Track Developments	50,700	49,728	(972)	0	0	(972)	Budget carried forward from 2017/18. Project complete.
Sands Centre Redevelopment	1,057,100	1,229,528	172,428	0	0	172,428	Budget approved by Council 06/03/18 (CS16/18). Project progressing to RIBA Stage 4. The overspend on this part of the project will impact the current budget available for the construction phase.
Sands Centre Redevelopment - RIBA Stage 5	723,200	0	(723,200)	550,700	0	(172,500)	Budget required to be carried forward to continue progression of this scheme, subject to further reports to the Executive and Council.
Car Park Improvements	180,300	180,317	17	0	0	17	Work complete on all agreed sites.
Waste Minimisation	66,200	86,072	19,872	0	0	19,872	Purchase of waste receptacles are overspent against the revised annual budget.
Grand Total	4,010,400	2,139,600	(1,870,800)	1,492,500	400,000	21,700	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2018/19

APPENDIX A2

CORPORATE SUPPORT

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Proposed Reductions £	Adjusted Variance £	Details of major variance
ICT Infrastructure	357,300	331,038	(26,262)	14,000	0	(12,262)	Part of ICT Strategy Business Case.
Revenues and Benefits ICT Upgrades	45,200	0	(45,200)	0	0	(45,200)	Budget carried forward as part of ICT Strategy. No longer required.
Grand Total	402,500	331,038	(71,462)	14,000	0	(57,462)	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2018/19

APPENDIX A3

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Proposed Reductions £	Adjusted Variance £	Details of major variance
EA Central Plaza	598,000	609,661	11,661	0	0	11,661	Implementation of work under the Corporate Director of Economic Development's emergency powers with reference to the Building Act 1984 S78 Dangerous building - emergency measures. Use of General Fund Reserve approved to fund these emergency works.
Public Realm Work	5,300	5,530	230	0	0	230	Implementation of project plan now complete.
Durranshill Industrial Estate	0	(14,962)	(14,962)	0	0	(14,962)	Refund received for expenditure incurred in previous years.
Planning Software	150,000	0	(150,000)	150,000	0	0	Project yet to start.
Affordable Homes	156,200	109,800	(46,400)	46,400	0	0	Approved by Executive 31/07/17 (ED24/17) and OD.065/18.
Grand Total	909,500	710,029	(199,471)	196,400	0	(3,071)	

GOVERNANCE & REGULATORY SERVICES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Proposed Reductions £	Adjusted Variance £	Details of major variance
Planned Enhancements to Council Property - core programme	201,600	122,073	(79,527)	79,600	0	73	Some slippage of planned projects into 2019/20.
Enhancements to Council Property - From Condition Surveys	113,900	113,992	92	0	0	92	Additional works agreed based on the outcome of condition surveys. Funding is provided from the Revenue Carry Forward Reserve.
Kingstown Industrial Estate Roads	9,800	0	(9,800)	0	0	(9,800)	Budget for additional public realm signage on the estate no longer required.
Minor Works Grants	23,200	0	(23,200)	23,200	0	0	Budget approved by Executive 04/04/16 (ED09/16).
Disabled Facilities Grants	2,540,600	2,133,506	(407,094)	407,100	0	6	Mandatory & Discretionary Grants being delivered in line with the Disabled Facilities Action Plan. The position is being closely monitored.
Asset Management Plan	150,000	0	(150,000)	150,000	0	0	Budget approved by Executive 23/07/18 (GD51/18). Delays in the purchase have resulted in slippage into 2019/20.
Chancerygate	200,000	240,841	40,841	(40,800)	0	41	Development and Improvement costs associated with the Junction 44 development.
Grand Total	3,239,100	2,610,412	(628,688)	619,100	0	(9,588)	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2018/19

APPENDIX A5

FLOOD RELATED CAPITAL EXPENDITURE

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Proposed Reductions £	Adjusted Variance £	Details of major variance
IC Buildings Flood Capital	0	72,438	72,438	(68,100)	0	4,338	Capitalisation of building improvements as a result of the flood.
Grand Total	0	72,438	72,438	(68,100)	0	4,338	

2019/20 CAPITAL PROGRAMME
APPENDIX B1

Scheme	Original Capital Programme 2019/20 £	Carry Forwards from 2018/19 £	Carry Forwards from 2018/19 £	Other Adjustments £	Revised Capital Programme 2019/20 £
<u>Current non-recurring commitments</u>					
Gateway 44	6,500,000	0	(40,800)	0	6,459,200
Play Area Green Gyms	0	25,000	7,800	0	32,800
Open Space Improvements	0	84,500	0	0	84,500
Bitts Park (Tennis/Reinstatement)	0	0	94,000	0	94,000
Cemetery Infrastructure	0	0	11,200	0	11,200
Affordable Homes	0	0	46,400	0	46,400
Planning Software	0	0	150,000	0	150,000
Property Purchase	0	0	150,000	0	150,000
Flood Reinstatements Projects	0	0	(68,100)	0	(68,100)
	6,500,000	109,500	350,500	0	6,960,000
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	250,000	0	79,600	0	329,600
Vehicles, Plant & Equipment	896,000	0	828,800	0	1,724,800
Recycling Containers	45,000	0	0	0	45,000
ICT Infrastructure	102,900	0	14,000	0	116,900
	1,293,900	0	922,400	0	2,216,300
<u>Housing Related Grants</u>					
Private Sector Grants	1,467,300	872,600	407,100	432,500	3,179,500
Minor Works Grants	0	0	23,200	0	23,200
	1,467,300	872,600	430,300	432,500	3,202,700
TOTAL	9,261,200	982,100	1,703,200	432,500	12,379,000
<u>Capital Reserves to be released</u>					
Sands Centre Redevelopment	15,395,000	0	550,700	0	15,945,700
Play Area Improvements	35,000	0	0	0	35,000
Public Realm Improvements	380,000	0	0	0	380,000
	15,810,000	0	550,700	0	16,360,700
REVISED TOTAL	25,071,200	982,100	2,253,900	432,500	28,739,700

2020/21 to 2023/24 PROPOSED CAPITAL PROGRAMME**APPENDIX B2**

Scheme	Proposed Capital Programme 2020/21 £	Original Capital Programme 2021/22 £	Original Capital Programme 2022/23 £	Original Capital Programme 2023/24 £
Private Sector Grants	1,467,300	1,467,300	1,467,300	1,467,300
Planned Enhancements to Council Property	250,000	250,000	250,000	250,000
Vehicles, Plant & Equipment	647,000	1,486,000	1,297,000	0
ICT Infrastructure	82,600	82,600	115,600	170,700
Recycling Containers	45,000	45,000	45,000	45,000
Sands Centre Redevelopment	2,293,900	9,000	0	0
Carlisle Southern Link Road	0	0	5,000,000	0
TOTAL	4,785,800	3,339,900	8,174,900	1,933,000