

Business and Transformation Scrutiny Panel

Agenda
Item:

A.5

Meeting Date: 15th February 2018
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 DECEMBER 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 44/17

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to December 2017 and was considered by the Executive on 12th February 2018.

Questions for / input required from Scrutiny:

Members are asked to note the variances contained within this report.

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the overall budgetary position for the period April to December 2017.

Tracking

Executive:	12 th February 2018
Overview and Scrutiny:	15 th February 2018
Council:	6 th March 2018

Report to Executive

Agenda
Item:

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Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO DECEMBER 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 44/17

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to December 2017.

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 December 2017;
- (ii) Note adjustments to the 2017/18 capital programme as detailed in paragraph 2.1
- (iii) Make recommendations to Council to approve reprofiling of £1,100,000 as detailed in para 3.3 and Appendix A from 2017/18 into 2018/19.

Tracking

Executive:	12 th February 2018
Scrutiny:	15 th February 2018
Council:	6 th March 2018

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 Chief Officers 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 2017/18:

2017/18 Capital Budget	£
2017/18 Capital Programme (RD04/17 Council 11/07/17)	9,010,700
Affordable Homes (S106) (ED24/17 Executive 31/07/17)	229,400
Additional contributions & increased revenue financing including use of GLL Reserve for Harraby Cycle Track (OD92/17)	157,300
Increase for additional contributions to Public Realm Scheme	25,000
Release of funding from reserve for ICT Strategy (CE01/17 13/02/17)	49,600
Revenue contributions towards Talkin Tarn Play Area	41,400
Revenue contributions and external grant to fund Economic Development ICT purchases	10,900
S106 contributions towards Pirelli Cycleway Scheme	28,800
Revenue contribution towards Vehicles & Equipment	42,200
Revenue contribution towards Tennis Facilities	19,200
Revenue contribution towards Play Area Developments	4,000
Revised 2017/18 Capital Programme (at Dec 2017)	9,618,500
Less Capital Reserves to be released by Executive (see para 3.9)	(405,000)
Revised 2017/18 Capital Programme (released)	9,213,500
Carry forwards into 2018/19 (Subject to Council Approval, see para 3.3)	(1,100,000)
Revised 2017/18 Capital Programme (released)	8,113,500

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

2.3 The Council has approved (CS22/17) the release of a further sum, up to a prescribed amount, from the GLL Reserve to provide a contingency to ensure that the Council meets its contractual obligations on the Harraby Cycle Track project.

3. 2017/18 BUDGET MONITORING

3.1 The position statement as at December 2017 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Community Services	3,705,200	2,276,670	2,473,751	197,081	3.4
Corporate Support & Resources	285,200	190,326	105,970	(84,356)	3.5
Economic Development	678,500	337,261	314,703	(22,558)	3.6
Governance & Regulatory Services	3,831,100	2,616,499	1,428,540	(1,187,959)	3.7
Total	8,500,000	5,420,756	4,322,964	(1,097,792)	
Flood Related Capital	713,500	713,500	2,505,144	1,791,644	3.8
Total	9,213,500	6,134,256	6,828,108	693,852	
Reserves to be released	405,000	0	0	0	3.9
Total	9,618,500	6,134,256	6,828,108	693,852	

Schemes still to be released by the Executive are outwith 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 F** with the main issues being summarised in the paragraphs below.

- 3.2 As at the end of December, expenditure of £4,322,964 has been incurred on the Council's core capital programme excluding flood related expenditure. When considered against the profiled budget of £5,420,756 this equates to an underspend of £1,097,792.

The unspent balance remaining of the revised annual budget (excluding flood related expenditure) of £8,500,000 is £4,177,036. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years, and budgets for flood related expenditure will be increased in line with any agreed settlement figures.

- 3.3 However an initial review of the 2017/18 capital programme has been undertaken and **the Executive are asked to recommend to Council the reprofiling of £1,100,000 from 2017/18 to 2018/19** (further details in Appendix A).

Directorate	Annual Budget £	Carry Forwards £	Revised Annual Budget £	Spend to Date £	Budget Remaining £
Community Services	3,885,200	0	3,885,200	2,473,751	1,411,449
Corporate Support & Resource	285,200	0	285,200	105,970	179,230
Economic Development	498,500	0	498,500	314,703	183,797
Governance & Regulatory	3,831,100	(1,100,000)	2,731,100	1,428,540	1,302,560
Total	8,500,000	(1,100,000)	7,400,000	4,322,964	3,077,036
Flood Recovery	713,500	0	713,500	2,505,144	(1,791,644)
Total	9,213,500	(1,100,000)	8,113,500	6,828,108	1,285,392
Reserves to be released	405,000	0	0	0	0
Total	9,618,500	(1,100,000)	8,113,500	6,828,108	1,285,392

The unspent balance remaining of the revised annual budget of £7,400,000 (excluding flood related expenditure) is £3,077,036 as at December 2017.

- 3.4 The variance in Community Services is attributable to the following:
- (i) An underspend of £27,038 on enhancements and improvements to the Art Centre. This budget was carried forward to provide for works that were postponed due to the 2015 floods.
 - (ii) An overspend of £99,304 on Waste Minimisation purchases. A review of expenditure is currently underway including the level of stock held.
 - (iii) An overspend of £133,067 on Cycle Track Development. The final spend will be dependent on the final account and negotiations with contractors. The funding required is dependent on the final account agreed and will be released as approved by Council in September 2017.
- 3.5 The variance in Corporate Support and Resources is attributable to the following:
- (i) An underspend of £50,451 on IT Strategy costs, and an underspend of £33,905 on Revenues and Benefits IT Upgrades. These budgets are being considered in the development of a revised IT Strategy implementation plan.
- 3.6 The variance in Economic Development is attributable to the following:
- (i) An underspend of £17,307 on Durranhill Industrial Estate improvements.
- 3.7 The variance in Governance & Regulatory Services is attributable to the following:
- (i) An underspend of £1,210,725 on Disabled Facilities Grants. The DFG funding increased in 2016 with the expectation from the Government that action plans be produced for 2017 to 2019 which provides a 2 year spending plan; the plans should involve both Health and Social Care. The Executive approved our action plan at its meeting of 17th January 2018.
 - (ii) An overspend of £35,635 on Castle Way S106 which can be accommodated within proposed funding options.
- 3.8 The variance in Flood Related Projects is attributable to the following:
- (i) An overspend of £1,791,644 on Building reinstatement costs. Budgets will be adjusted once final accounts from the contractors have been received and insurance settlement figures have been agreed with the loss adjusters. This will then determine the balance to be funded from the Council's own balances and reserves.
- 3.9 A number of schemes are included in the capital programme for 2017/18 that require reports to be presented to the Executive for the release of funding before the project can go ahead, some of which may slip into future years capital programmes.

Scheme	Budget £	Note
Old Town Hall / Greenmarket	380,000	
Play Area Green Gyms	25,000	
Total	405,000	

4. FINANCING

4.1 The 2017/18 capital programme can be financed as follows:

	Annual Budget £
Total Programme to be financed (para 2.1)	8,113,500
<u>Financed by:</u>	
Capital Receipts / Internal Borrowing	2,266,700
Capital Grants	
• Disabled Facilities Grant	1,613,900
• General	1,149,600
Direct Revenue Financing	2,057,700
Other Contributions	1,015,800
Earmarked Reserves	9,800
Total Financing	8,113,500

5. CAPITAL RESOURCES

5.1 The following table shows the position as at December 2017 of the capital resources due to be received during 2017/18:

	2017/18 Revised Budget £	2017/18 Actual £	2017/18 Not yet received £	Note
Capital Receipts				
• Asset Review	(200,000)	(47,400)	152,600	1
• Vehicle Sales	0	(48,564)	(48,564)	2
• PRTB Sharing agreement	(150,000)	0	150,000	3
Capital Grants				4
• Disabled Facilities Grant	(1,613,900)	(1,613,944)	(44)	
• Tennis Facilities	(400,000)	0	400,000	
• Cycle Track Development	(68,000)	0	68,000	
• General	0	(2,000)	(2,000)	
Capital Contributions				
• Section 106	(872,600)	(441,030)	431,570	5
• Cycle Track Development	(90,400)	(90,480)	(80)	
• General	(52,800)	(95,444)	(42,644)	6
Total	(3,447,700)	(2,338,862)	1,108,838	

Notes:

1. Receipts for 2017/18 are anticipated to be received from asset review sales (£200,000).
2. Included within vehicle sales are receipts of £19,439 for individual vehicle sales that are below the deminimis 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. It should be noted that Riverside Group are currently preparing forecasts for PRTB receipts for 2017/18. Forecast projections will be provided in a future report to the Executive.
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 (£266,000), Public Realm S106 (£49,600), Crindledyke Cycleway (£268,700), Open Space Improvements (£42,900), Affordable Homes (£229,400) and Pirelli Cycleway (£16,000).
6. Additional contributions received towards Public Realm (£25,000), Public Realm/Cracker Packer (£15,000) and Pirelli Cycleway (£12,800).

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 2016/17 accounts, fixed assets totalled £161million (2015/16 £160million). This represents 94% 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 December 2017 debtors of £11,935 (£226,803 at 31 March 2017) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2016/17 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 December 2017 totalled £103,063 (£456,407 at 31 March 2017).

7. **PERFORMANCE**

7.1 The 2017/18 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 £405,000 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 Transformation Sub-Group 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

Business & Transformation Scrutiny Panel will consider the report on 15th February 2018.

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 December 2017;
- (ii) Note adjustments to the 2017/18 capital programme as detailed in paragraph 2.1
- (iii) Make recommendations to Council to approve reprofiling of £1,100,000 as detailed in para 3.3 and Appendix A from 2017/18 into 2018/19.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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**Appendices A to F
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:

Community Service – Not applicable

Corporate Support & Resources – Financial implications are contained in the main body of the report.

Economic Development – Not applicable

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

2017/18 CAPITAL PROGRAMME
APPENDIX A

Scheme	Original Capital Programme 2017/18 £	Other Adjustments £	Proposed Carry Forwards £	Revised Capital Programme 2017/18 £
<u>Current non-recurring commitments</u>				
Public Realm/Cracker Packer (S106)	64,600	0	0	64,600
Castle Way (S106)	266,000	0	0	266,000
Arts Centre	47,300	0	0	47,300
Tennis Facilities	497,000	19,200	0	516,200
Cycle Track Development	717,000	157,300	0	874,300
Market Hall Roof	460,000	0	0	460,000
Crindledyke Cycleway	268,700	0	0	268,700
Durranhill Industrial Estate	105,400	0	0	105,400
Play Area Developments	10,900	4,000	0	14,900
Open Space Improvements	42,900	0	0	42,900
Kingstown Industrial Estate	9,800	0	0	9,800
Public Realm Improvements	243,200	25,000	0	268,200
IC Buildings Flood Reinstatement	713,500	0	0	713,500
Revenues & Benefits ICT Upgrades	45,200	0	0	45,200
Asset Review	203,600	0	0	203,600
Talkin Tarn	0	41,400	0	41,400
Affordable Homes (S106)	0	229,400	0	229,400
Pirelli Cycleway	0	28,800	0	28,800
Economic Development ICT Purchases	0	10,900	0	10,900
	3,695,100	516,000	0	4,211,100
<u>Recurring commitments</u>				
Planned Enhancements to Council Property	215,000	0	0	215,000
Vehicles, Plant & Equipment	1,857,300	42,200	0	1,899,500
ICT Infrastructure	190,400	49,600	0	240,000
	2,262,700	91,800	0	2,354,500
<u>Disabled Facilities Grants</u>				
Private Sector Grants	2,594,700	0	(1,100,000)	1,494,700
Minor Works Grants	53,200	0	0	53,200
	2,647,900	0	(1,100,000)	1,547,900
TOTAL	8,605,700	607,800	(1,100,000)	8,113,500
<u>Capital Reserves to be released</u>				
Play Area Green Gyms	25,000	0	0	25,000
Old Town Hall / Greenmarket	380,000	0	0	380,000
	405,000	0	0	405,000
REVISED TOTAL	9,010,700	607,800	(1,100,000)	8,518,500

DECEMBER 2017 - CAPITAL BUDGET MONITORING

APPENDIX B

COMMUNITY SERVICES

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Art Centre	47,300	0	47,300	27,038	0	(27,038)	Budget carried forward to provide for works postponed due to the 2015 floods.
Vehicles & Plant	1,899,500	0	1,899,500	1,185,500	1,178,079	(7,421)	Replacement of vehicle purchases in 2017/18 on target to date.
Waste Minimisation	0	0	0	0	99,304	99,304	A review of expenditure is currently underway.
Tennis Facilities	516,200	0	516,200	5,162	4,884	(278)	Approved by Council 08/09/15 (SD16/15).
Cycle Track Developments	874,300	0	874,300	874,300	1,007,367	133,067	Approved by Executive 27/07/15 (SD13/15). Budget increased for additional grant and contributions. Additional funding to be provided from GLL Reserve as approved by Council.
Play Area Developments	14,900	0	14,900	0	0	0	External funding carried forward to complete schemes.
Open Space Improvements	42,900	0	42,900	4,351	3,751	(600)	External funding carried forward to complete schemes which are now being progressed.
Crindledyke Cycleway (S106)	268,700	0	268,700	138,919	138,932	13	Approved by Executive 01/06/15 (LE10/15). Funded by Section 106 monies. Various factors have delayed the project.
Talkin Tarn	41,400	0	41,400	41,400	41,434	34	Improvements to Play Area funded by revenue.
Grand Total	3,705,200	0	3,705,200	2,276,670	2,473,751	197,081	

DECEMBER 2017 - CAPITAL BUDGET MONITORING**APPENDIX C****CORPORATE SUPPORT & RESOURCES**

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
ICT Infrastructure	240,000	0	240,000	156,421	105,970	(50,451)	Part of ICT Strategy Business Case. Budget carried forward to accommodate contracts and orders placed to upgrade IT infrastructure, network & equipment. Additional £100,000 budget now released by Executive on 23/10/17 (CS20/17).
Revenues and Benefits ICT Upgrades	45,200	0	45,200	33,905	0	(33,905)	Budget carried forward as part of ICT Strategy.
Grand Total	285,200	0	285,200	190,326	105,970	(84,356)	

DECEMBER 2017 - CAPITAL BUDGET MONITORING**APPENDIX D****ECONOMIC DEVELOPMENT**

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Public Realm Work	268,200	0	268,200	91,190	91,125	(65)	Budget released by Executive 10/03/14 (ED10/14). Additional budget released by Executive 07/04/15 (ED15/15). Revised Project Plan developed and is being implemented in line with revised timescales.
EA Central Plaza	0	0	0	0	2,531	2,531	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 (OD.104/16).
Public Realm (S106)	64,600	0	64,600	41,410	33,643	(7,767)	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies. Tender awarded and work progressing.
Durranhill Industrial Estate	105,400	0	105,400	79,061	61,754	(17,307)	Approved by Executive 15/01/14 (ED02/14). Revised programme of works approved by Executive 7/04/15 (ED14/15).
Affordable Homes	229,400	0	229,400	114,700	114,750	50	Approved by Executive 31/07/17 (ED24/17). First instalment paid.
Economic Development ICT Purchases	10,900	0	10,900	10,900	10,900	0	Funded by Housing and Planning Delivery grant and contribution from revenue.
Grand Total	678,500	0	678,500	337,261	314,703	(22,558)	

DECEMBER 2017 - CAPITAL BUDGET MONITORING**APPENDIX E****GOVERNANCE & REGULATORY SERVICES**

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Planned Enhancements to Council Property	215,000	0	215,000	177,056	185,240	8,184	Individual projects progressing as planned.
Market Hall Roof	460,000	0	460,000	0	0	0	Budget released by Executive 26/09/16 (GD51/16). Negotiations ongoing regarding the Council's contribution towards the works.
Asset Management Plan	203,600	0	203,600	146,477	146,431	(46)	Budget carried forward in relation to remaining payments from Escrow account & demolition costs.
Kingstown Industrial Estate Roads	9,800	0	9,800	7,352	0	(7,352)	Remaining budget required for additional public realm signage on the estate.
Castle Way (S106)	266,000	0	266,000	266,000	301,635	35,635	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies. Completed early 2017/18.
Disabled Facilities Grants	2,594,700	(1,100,000)	1,494,700	1,946,286	735,561	(1,210,725)	Mandatory Grants. Increased grant allocation for 2017/18. The position is being closely monitored.
Minor Works Grants	53,200	0	53,200	44,528	31,232	(13,296)	Budget approved by Executive 04/04/16 (ED09/16).
Pirelli Cycleway	28,800	0	28,800	28,800	28,441	(359)	OD.117/17, funded by Section 106 monies and external contributions.
Grand Total	3,831,100	(1,100,000)	2,731,100	2,616,499	1,428,540	(1,187,959)	

DECEMBER 2017 - CAPITAL BUDGET MONITORING

APPENDIX F

FLOOD RELATED CAPITAL EXPENDITURE

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
IC Buildings Flood Capital	713,500	0	713,500	713,500	2,505,144	1,791,644	Capitalisation of building improvements as a result of the flood.
Grand Total	713,500	0	713,500	713,500	2,505,144	1,791,644	