

Business & Transformation Scrutiny Panel

Agenda
Item:
A.4

Meeting Date: 14th September 2017
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 JUNE 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 19/17

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2017 which was considered by the Executive on 29th August 2017.

Questions for / input required from Scrutiny:

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

Recommendations:

Members of the Business & Transformation Scrutiny Panel are asked to note the overall budgetary position for the period April to June 2017.

Tracking

Executive:	29 th August 2017
Overview and Scrutiny:	14 th September 2017
Council:	n/a

Report to Executive

Agenda
Item:

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Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 19/17

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 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 June 2017;
- (ii) Note adjustments to the 2017/18 capital programme for ICT Strategy (£49,600), Harraby Cycle Track (£41,500) and Public Realm (£25,000) to account for all external funding available towards the projects as detailed in paragraph 2.1;

Tracking

Executive:	29 th August 2017
Scrutiny:	14 th September 2017
Council:	n/a

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	£
Original 2017/18 Programme (approved Feb 2017)	3,182,100
Carry forwards from 2016/17 (RD55/16 Council 07/03/17)	1,164,300
Increase for ICT Strategy from Renewals Reserve	49,600
Increase for additional contribution to Harraby Cycle Track	41,500
Increase for additional contribution to Public Realm Scheme	25,000
Revised 2017/18 Capital Programme (at June 2017)	4,462,500
Carry forwards from 2016/17 (RD04/17 Council 11/07/17)	4,406,000
Increase for schemes funded from external contributions (RD04/17 Council 11/07/17)	258,300
Revised 2017/18 Capital Programme (after carry forwards)	9,126,800
Less Capital Reserves to be released by Executive	(1,944,800)
Revised 2017/18 Capital Programme	7,182,000

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

3. 2017/18 BUDGET MONITORING

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

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Community Services	2,042,800	791,800	1,028,050	236,250	3.3
Corporate Support & Resources	185,200	40,600	43,098	2,498	-
Economic Development	438,200	38,200	39,250	1,050	-
Governance & Regulatory Services	3,802,300	630,259	291,554	(338,705)	3.4
Total	6,468,500	1,500,859	1,401,952	(98,907)	
Flood Related Capital	713,500	713,500	802,605	89,105	3.5
Total	7,182,000	2,214,359	2,204,557	(9,802)	
Reserves to be released	1,944,800	0	0	0	3.6
Total	9,126,800	2,214,359	2,204,557	(9,802)	

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 June, expenditure of £2,204,557 has been incurred. When considered against the profiled budget of £2,214,359 this equates to an underspend of £9,802.

The unspent balance remaining of the revised annual budget of £7,182,000 is £4,977,443. 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 Community Services is attributable to the following:
- (i) An overspend of £206,050 on vehicle replacements. There is budget of £1,439,800 for the 2017/18 allocation subject to release by Executive. A report is considered elsewhere on this agenda.
 - (ii) An overspend of £30,268 on Waste Minimisation purchases. A review of expenditure is currently underway.
 - (iii) The Harraby Cycle Track project reflects the position as at June 2017. Further contributions have since been received, and a report is considered elsewhere on this agenda.
- 3.4 The variance in Governance & Regulatory Services is attributable to the following:
- (i) An underspend of £329,034 on Disabled Facilities Grants. The grant allocation received for DFGs for 2017/18 is higher than the previous year.
- 3.5 The variance in Flood Related Projects is attributable to the following:
- (i) An overspend of £89,105 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.
- 3.6 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
ICT Infrastructure	100,000	
Old Town Hall / Greenmarket	380,000	
Play Area Green Gyms	25,000	
Vehicle Replacement	1,439,800	1
Total	1,944,800	

Notes:

1. A report is considered elsewhere on this agenda for the release of this budget (CS20/17).

4. FINANCING

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

	Annual Budget £	Current Programme £
Total Programme to be financed (para 2.1)	9,126,800	7,182,000
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	3,789,400	1,844,600
Capital Grants		
• Disabled Facilities Grant	1,613,900	1,613,900
• General	1,144,100	1,144,100
Direct Revenue Financing	1,823,900	1,823,900
Other Contributions	745,700	745,700
Earmarked Reserves	9,800	9,800
Total Financing	9,126,800	7,182,000

5. CAPITAL RESOURCES

5.1 The following table shows the position as at June 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				
• General	0	0	0	1
• Asset Review	(3,194,000)	0	3,194,000	1
• Renovation Grants repaid	0	0	0	
• PRTB Sharing agreement	(150,000)	0	150,000	2
Capital Grants				
• Disabled Facilities Grant	(1,613,900)	(1,613,944)	(44)	3
• Tennis Facilities	(400,000)	0	400,000	4
• Cycle Track Development	(68,000)	0	68,000	4
• General	0	(2,000)	(2,000)	
Capital Contributions				
• Section 106	(627,200)	(69,291)	557,909	5
• Cycle Track Development	(78,500)	(78,580)	(80)	
• General	(40,000)	(53,226)	(13,226)	6
Total	(6,171,600)	(1,817,040)	4,354,560	

Notes:

1. Receipts for 2017/18 are anticipated to be received from asset review sales (£3,194,000). However, the Capital Strategy to be considered by Council in

September highlights that these receipts will be reprofiled in line with the revised asset disposal plan.

2. 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.
3. Disabled facilities grant allocation for 2017/18 received totalling £1,613,944.
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), and Open Space Improvements (£42,900).
6. Additional contributions received towards Public Realm (£25,000) and Public Realm/Cracker Packer (£15,000).

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 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 June 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 June 2017 totalled £114,435 (£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 £1,944,800 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 14 September 2017.

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 June 2017;
- (ii) Note adjustments to the 2017/18 capital programme for ICT Strategy (£49,600), Harraby Cycle Track (£41,500) and Public Realm (£25,000) to account for all external funding available towards the projects as detailed in paragraph 2.1;

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer: Emma Gillespie

Ext: 7289

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

Economic Development – Not applicable

Governance and 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 £	Carry Forwards from 2016/17 £	Carry Forwards from 2016/17 £	Other Adjustments £	Revised Capital Programme 2017/18 £
<u>Current non-recurring commitments</u>					
Public Realm/Cracker Packer (S106)	0	0	49,600	15,000	64,600
Castle Way (S106)	0	0	236,300	29,700	266,000
Arts Centre	0	0	47,300	0	47,300
Tennis Facilities	0	497,000	0	0	497,000
Cycle Track Development	0	0	650,000	108,500	758,500
Market Hall Roof	0	0	460,000	0	460,000
Crindledyke Cycleway	0	0	268,700	0	268,700
Durranhill Industrial Estate	0	0	105,400	0	105,400
Play Area Developments	0	0	10,900	0	10,900
Open Space Improvements	0	0	42,900	0	42,900
Kingstown Industrial Estate	0	0	9,800	0	9,800
Public Realm Improvements	0	0	243,200	25,000	268,200
IC Buildings Flood Reinstatement	0	0	713,500	0	713,500
Revenues & Benefits ICT Upgrades	0	0	45,200	0	45,200
Asset Review	0	0	203,600	0	203,600
	0	497,000	3,086,400	178,200	3,761,600
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	150,000	0	65,000	0	215,000
Vehicles, Plant & Equipment	0	0	417,500	0	417,500
ICT Infrastructure	0	0	90,400	49,600	140,000
	150,000	0	572,900	49,600	772,500
<u>Disabled Facilities Grants</u>					
Private Sector Grants	1,467,300	667,300	313,500	146,600	2,594,700
Minor Works Grants	0	0	53,200	0	53,200
	1,467,300	667,300	366,700	146,600	2,647,900
TOTAL	1,617,300	1,164,300	4,026,000	374,400	7,182,000
<u>Capital Reserves to be released</u>					
ICT Infrastructure	100,000	0	0	0	100,000
Play Area Green Gyms	25,000	0	0	0	25,000
Vehicles, Plant & Equipment	1,439,800	0	0	0	1,439,800
Old Town Hall / Greenmarket	0	0	380,000	0	380,000
	1,564,800	0	380,000	0	1,944,800
REVISED TOTAL	3,182,100	1,164,300	4,406,000	374,400	9,126,800

COMMUNITY SERVICES

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
	£	£	£	£	
Art Centre	47,300	0	0	0	Budget carried forward to provide for works postponed due to the 2015 floods.
Vehicles & Plant	417,500	417,500	623,550	206,050	Report elsewhere on the agenda to request release of the 2017/18 budget.
Waste Minimisation	0	0	30,268	30,268	A review of expenditure is currently underway.
Tennis Facilities	497,000	0	0	0	Approved by Council 08/09/15 (SD16/15).
Cycle Track Developments	758,500	337,900	337,890	(10)	Approved by Executive 27/07/15 (SD13/15). Budget increased for additional grant and contributions.
Play Area Developments	10,900	0	0	0	External funding carried forward to complete schemes.
Open Space Improvements	42,900	1,800	1,751	(49)	External funding carried forward to complete schemes.
Crindledyke Cycleway (S106)	268,700	34,600	34,591	(9)	Approved by Executive 01/06/15 (LE10/15). Funded by Section 106 monies. Various factors have delayed the project.
Grand Total	2,042,800	791,800	1,028,050	236,250	

CORPORATE SUPPORT & RESOURCES

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
	£	£	£	£	
ICT Infrastructure	140,000	40,600	43,098	2,498	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 available subject to release by Executive.
Revenues and Benefits ICT Upgrades	45,200	0	0	0	Budget carried forward as part of ICT Strategy.
Grand Total	185,200	40,600	43,098	2,498	

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
	£	£	£	£	
Public Realm Work	268,200	0	0	0	Budget released by Executive 10/03/14 (ED10/14). Additional budget released by Executive 07/04/15 (ED15/15). Revised Project Plan developed and will be implemented in line with revised timescales.
EA Central Plaza	0	0	1,056	1,056	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	9,400	9,416	16	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies. Tender awarded and work progressing.
Durranhill Industrial Estate	105,400	28,800	28,778	(22)	Approved by Executive 15/01/14 (ED02/14). Revised programme of works approved by Executive 7/04/15 (ED14/15).
Grand Total	438,200	38,200	39,250	1,050	

GOVERNANCE & REGULATORY SERVICES

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
	£	£	£	£	
Planned Enhancements to Council Property	215,000	43,267	33,537	(9,730)	Individual projects progressing as planned.
Market Hall Roof	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	1,000	1,037	37	Budget carried forward in relation to remaining payments from Escrow account & demolition costs.
Kingstown Industrial Estate Roads	9,800	0	0	0	Remaining budget required for additional public realm signage on the estate.
Castle Way (S106)	266,000	23,500	23,532	32	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies. Completion early 2017/18.
Disabled Facilities Grants	2,594,700	534,292	205,258	(329,034)	Mandatory Grants. Increased grant allocation for 2017/18. The position is being closely monitored.
Minor Works Grants	53,200	28,200	28,190	(10)	Budget approved by Executive 04/04/16 (ED09/16).
Grand Total	3,802,300	630,259	291,554	(338,705)	

JUNE 2017 - CAPITAL BUDGET MONITORING**APPENDIX F****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	713,500	713,500	802,605	89,105	Capitalisation of building improvements as a result of the flood.
IC Equipment Flood Capital	0	0	0	0	Capitalisation of equipment purchases as a result of the flood.
Grand Total	713,500	713,500	802,605	89,105	