

# Resources Overview and Scrutiny Panel

Agenda  
Item:  
**A.6**

Meeting Date: 20<sup>th</sup> October 2016  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CAPITAL BUDGET OVERVIEW & MONITORING REPORT:  
APRIL TO JUNE 2016  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD.20/16

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2016 and was considered by the Executive on 30 August 2016.

## 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 June 2016.

## Tracking

Executive:	30 <sup>th</sup> August 2016
Overview and Scrutiny:	20 <sup>th</sup> October 2016
Council:	n/a

# Report to Executive

Agenda  
Item:

Meeting Date: 30<sup>th</sup> August 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 JUNE 2016  
Report of: DIRECTOR OF RESOURCES  
Report Number: RD20/16

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2016.

## 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 2016.

## Tracking

Executive:	30 <sup>th</sup> August 2016
Overview and Scrutiny:	8 <sup>th</sup> September 2016
Council:	n/a

## **1. BACKGROUND**

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Resources 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 Director of Resources.
- 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>Original 2016/17 Programme (approved Feb 2016)</b>	<b>4,595,000</b>
Carry forwards from 2015/16 (RD55/15 Council 8/3/16)	1,447,000
Increase for Minor Works Grants (ED09/16 Council 4/4/16)	73,300
Increase for Play Areas and Open Space Improvements (LE10/16 Executive 04/07/16)	149,400
Increase for revenue contributions to capital schemes	12,500
Increase for additional contributions to Durranhill Industrial Estate scheme	157,800
<b>Revised 2016/17 Capital Programme (at June 2016)</b>	<b>6,435,000</b>
Carry forwards from 2015/16 (RD07/16 Council 19/7/16)	3,347,200
Increase for schemes funded from revenue carry forwards (RD07/16 Council 19/7/16)	212,500
Increase for schemes funded from insurance settlement (RD07/16 Council 19/7/16)	259,300
<b>Revised 2016/17 Capital Programme (after carry forwards)</b>	<b>10,254,000</b>
Less Capital Reserves to be released by Executive	(2,261,000)
<b>Revised 2016/17 Capital Programme</b>	<b>7,993,000</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 June 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	0	0	0	-
Economic Development	3,047,800	1,040,613	740,412	(300,201)	3.3
Governance	1,245,300	570,000	570,804	804	-
Local Environment	1,702,400	95,400	104,496	9,096	
Resources	90,100	44,900	167,232	122,332	3.4
Flood Related Capital	212,500	0	26,359	26,359	-
<b>Total</b>	<b>7,993,000</b>	<b>1,750,913</b>	<b>1,609,303</b>	<b>(141,610)</b>	
Reserves to be released	2,261,000	0	0	0	3.5
<b>Total</b>	<b>10,254,000</b>	<b>1,750,913</b>	<b>1,609,303</b>	<b>(141,610)</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 June, expenditure of £1,609,303 has been incurred. When considered against the profiled budget of £1,750,913 this equates to an underspend of £141,610.

The unspent balance remaining of the revised annual budget of £7,993,000 is £6,383,697. 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 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.

3.4 The variance in Resources is attributable to the following:

(i) An overspend on DIS Strategy to date. There is budget of £200,000 available of ICT Infrastructure subject to release by the Executive and budget is also available from the repair and renewal reserve. The release of funds from the reserve has been approved by the Executive at a previous meeting, the split of these to fund revenue and capital costs is being updated before being reported.

3.5 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, some of which may slip into future years capital programmes.

Scheme	Budget £	Note
ICT Infrastructure	200,000	
Old Town Hall / Greenmarket	380,000	
Market Hall Roof	460,000	
Vehicle Replacement	1,221,000	1
<b>Total</b>	<b>2,261,000</b>	

Notes:

1. A report is considered elsewhere on this agenda for the release of this budget (SD14/16).

#### 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>10,254,000</b>	<b>7,993,000</b>
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	3,629,300	1,368,300
Capital Grants		
• Disabled Facilities Grant	1,467,300	1,467,300
• General	2,349,600	2,349,600
Direct Revenue Financing	2,044,300	2,044,300
Other Contributions	753,700	753,700
Earmarked Reserves	9,800	9,800
<b>Total Financing</b>	<b>10,254,000</b>	<b>7,993,000</b>

#### 5. CAPITAL RESOURCES

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

	2016/17 Revised Budget £	2016/17 Actual £	2016/17 Not yet received £	Note
Capital Receipts				
• General	0	(62,000)	(62,000)	1
• Asset Review	(3,485,000)	(14,250)	3,470,750	1
• Renovation Grants repaid	0	0	0	
• PRTB Sharing agreement	(150,000)	0	150,000	2
Capital Grants				
• Disabled Facilities Grant	(1,467,300)	0	1,467,300	3
• Durranshill Industrial Estate	(1,157,800)	(1,157,763)	37	
• Tennis Facilities	(400,000)	0	400,000	4
• Cycle Track Development	(650,000)	0	650,000	4
• General	(68,500)	(9,000)	59,500	
Capital Contributions				
• Section 106	(753,700)	(5,500)	748,200	5
• General	0	(56,372)	(56,372)	6
<b>Total</b>	<b>(8,132,300)</b>	<b>(1,304,885)</b>	<b>6,827,415</b>	

Notes:

1. Receipts for 2015/16 are anticipated to be received from asset review sales (£3,485,000). 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 2015/16 and the current payment due to the Council is £67,962 based on 3 sales to date as at June 2016. This position is being monitored regularly and forecast projections for 2016/17 will be provided in a future report to the Executive.
3. Disabled facilities grant allocation for 2016/17 received totalling £1,467,316.
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 (£31,372) 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 June 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 June 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 £2,261,000 are being held in reserves until approved by Executive for release.

7.2 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 8 September 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 June 2016.

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

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

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**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

**Local Environment** – Not applicable

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

## 2016/17 CAPITAL PROGRAMME

## APPENDIX A

Scheme	Original Capital Programme 2016/17 £	Carry Forwards from 2015/16 £	Carry Forwards from 2015/16 £	Other Adjustments £	Revised Capital Programme 2016/17 £
<b><u>Current non-recurring commitments</u></b>					
Public Realm (S106)	0	0	62,100	0	62,100
Castle Way (S106)	0	300,000	29,700	0	329,700
Arts Centre	0	0	47,900	0	47,900
Old Town Hall Phase 2	0	0	88,100	0	88,100
Tennis Facilities	0	497,000	0	0	497,000
Cycle Track Development	0	650,000	0	0	650,000
Harraby School and Community Campus contribution	0	0	500,000	0	500,000
Asset Review	0	0	992,900	0	992,900
	<b>0</b>	<b>1,447,000</b>	<b>1,720,700</b>	<b>0</b>	<b>3,167,700</b>
<b><u>Recurring commitments</u></b>					
Planned Enhancements to Council Property	150,000	0	102,400	0	252,400
Vehicles, Plant & Equipment	0	0	597,100	12,500	609,600
DIS Infrastructure	0	0	44,900	0	44,900
	<b>150,000</b>	<b>0</b>	<b>744,400</b>	<b>12,500</b>	<b>906,900</b>
<b><u>Disabled Facilities Grants</u></b>					
Private Sector Grants	1,467,300	0	0	0	1,467,300
Minor Works Grants	0	0	0	73,300	73,300
	<b>1,467,300</b>	<b>0</b>	<b>0</b>	<b>73,300</b>	<b>1,540,600</b>
<b><u>Continuing Schemes</u></b>					
Crindledyke Cycleway	196,700	0	84,300	0	281,000
Durranhill Industrial Estate	1,000,000	0	0	157,800	1,157,800
Play Area Developments	0	0	1,500	102,400	103,900
Open Space Improvements	0	0	0	47,000	47,000
Kingstown Industrial Estate	0	0	9,800	0	9,800
Public Realm Improvements	0	0	261,300	0	261,300
Revenues & Benefits ICT Upgrades	0	0	45,200	0	45,200
	<b>1,196,700</b>	<b>0</b>	<b>402,100</b>	<b>307,200</b>	<b>1,906,000</b>
<b>TOTAL</b>	<b>2,814,000</b>	<b>1,447,000</b>	<b>2,867,200</b>	<b>393,000</b>	<b>7,521,200</b>
<b><u>Capital Reserves to be released</u></b>					
Market Hall Roof	460,000	0	0	0	460,000
DIS Infrastructure	100,000	0	100,000	0	200,000
Vehicles, Plant & Equipment	1,221,000	0	0	0	1,221,000
Old Town Hall / Greenmarket	0	0	380,000	0	380,000
	<b>1,781,000</b>	<b>0</b>	<b>480,000</b>	<b>0</b>	<b>2,261,000</b>
<b>SUB-TOTAL</b>	<b>4,595,000</b>	<b>1,447,000</b>	<b>3,347,200</b>	<b>393,000</b>	<b>9,782,200</b>
<b><u>New non-recurring commitments</u></b>					
Vehicles, Plant & Equipment	0	0	0	259,300	259,300
Bitts Park Improvements	0	0	0	212,500	212,500
	<b>0</b>	<b>0</b>	<b>0</b>	<b>471,800</b>	<b>471,800</b>
<b>REVISED TOTAL</b>	<b>4,595,000</b>	<b>1,447,000</b>	<b>3,347,200</b>	<b>864,800</b>	<b>10,254,000</b>

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 30 AUGUST 2016**

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**EX.80/16      CAPITAL BUDGET OVERVIEW AND MONITORING REPORT – APRIL  
TO JUNE 2016**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Overview and Scrutiny Panel**      Resources

### **Subject Matter**

In the absence of the Deputy Leader, and Finance, Governance and Resources Portfolio Holder, the Leader presented report RD.20/16 providing an overview of the budgetary position of the City Council's capital programme for the period April to June 2016.

Members' attention was drawn to the position statement which recorded that, as at the end of June, expenditure of £1,609,303 had been incurred. When considered against the profiled budget of £1,750,913, that equated to an underspend of £141,610. The unspent balance remaining of the revised annual budget of £7,993,000 was £6,383,697. That would be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

The Leader pointed out that a number of schemes were included in the capital programme for 2016/17 that required reports to be presented to the Executive for the release of funding before the project could go ahead, one example being vehicle replacement.

The 2016/17 programme had been kept to a level that took account of the Council's ability to deliver schemes with regard to capacity and available resources. Work was ongoing to continue to monitor the profiling of budgets which were adjusted to reflect progress in current capital schemes. It was likely that there would still be a requirement for some carry forwards at the year end due to further slippage and delays on projects. Members were reminded that budgets totalling £2,261,000 were being held in reserves until approved by the Executive for release.

The Senior Management Team would 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 would be managed by a Corporate Programme Board chaired by the Chief Executive. Decisions to proceed or otherwise

with proposed projects would be made in the usual way in accordance with the Council decision making framework.

A review of all capital expenditure incurred was ongoing to ensure that the expenditure had been correctly allocated between revenue and capital schemes, which would facilitate the year end classification of assets.

In conclusion the Leader moved the recommendation which was duly seconded by the Economy, Enterprise and Housing Portfolio Holder.

**Summary of options rejected**    None

## **DECISION**

That the Executive noted the budgetary position and performance aspects of the capital programme for the period April to June 2016, as set out in Report RD.2016.

## **Reasons for Decision**

To keep Members informed of the budgetary position of the Council's Capital Programme for the period April to June 2016