

Report to Executive

Agenda
Item:

A.10

Meeting Date: 18 November 2013
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 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD50/13

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to September 2013. Some of the issues in this report are considered elsewhere on the agenda in RD56/13.

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 2013;
- (ii) Use the information in this report to inform the budget considerations for 2014/15 onwards;
- (iii) Note the recommendations to Council to approve reprofiling of £710,000 from 2013/14 as detailed in RD56/13 elsewhere on the agenda;
- (iv) Note the Director of Resources has approved a virement of £18,300 from the vehicle replacement programme to purchase route optimisation software for Waste Services. This is not included in the figures in the report;
- (v) Approve a virement of up to £60,000 from projected underspends on the 2013/14 vehicle replacement programme to fund the one off capital costs of leisure initiatives.

Tracking

Executive:	18 November 2013
Overview and Scrutiny:	28 November 2013
Council:	

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 2013/14:

2013/14 Capital Budget	£
Original 2013/14 Programme (approved Feb 2013)	9,280,000
Carry forwards from 2012/13 (RD11/13 Council 16/7/13)	1,828,700
Removal of budgets (RD11/13 Council 16/7/13)	(6,348,500)
2013/14 Capital Programme (RD11/13 Council 16/07/13)	4,760,200
Direct Revenue Financing - Customer Contact Centre (OD 014/13 26/03/13)	40,000
Direct Revenue Financing - Employee Payment & Resource Management System (RD07/13 Executive 7/05/13)	70,000
Bring Sites Review (LE21/13 Council 16/07/13)	227,000
Reprofiling of Arts Centre (CD47/13 Council 10/09/13)	(200,000)
Purple Sacks Review (LE28/13 Council 10/09/13)	69,500
Empty Property Initiative (CD42/13 Council 16/07/13)	305,700
Asset Review Business Plan Reinvestment (RD20/13 Executive 05/08/13)	1,312,500
Asset Review Business Plan Reinvestment	1,400,000
Revised 2013/14 Capital Programme (at Sept 2013)	7,984,900
Carry forwards into 2014/15 (Subject to Council Approval)	(710,000)
Old Town Hall Phase 2 Reprofiling (Subject to Council Approval ED236/13 5/11/13)	62,000
Cenotaph Funding (Subject to Council Approval RD43/13 5/11/13)	67,000
Revised 2013/14 Capital Programme (Sept 2013 RD56/13)	7,403,900

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

3. 2013/14 BUDGET MONITORING

3.1 The position statement as at September 2013 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Carry forwards identified £	Para. Ref.
Resources	3,939,400	372,172	323,780	(48,392)	0	3.4
Community Engagement	2,469,400	982,729	838,624	(144,105)	0	3.5
Local Environment	434,600	18,211	457	(17,754)	0	3.6
Economic Development	560,500	298,500	301,331	2,831	0	3.7
Total	7,403,900	1,671,612	1,464,192	(207,420)	0	

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

- 3.2 As at the end of September, expenditure of £1,464,192 has been incurred. When considered against the profiled budget of £1,671,612 this equates to an underspend of £207,420.
- 3.3 A projected outturn position has been undertaken which has identified that £710,000 as needing profiled into future years. This relates to Castle Way S106 (£300,000), Public Realm S106 (£360,000) and Enhancements to Council Properties (£50,000). Carry forwards will be limited to the amount of underspend at the year end. **(The Executive is asked to consider, for recommendation to Full Council, these carry forwards requests).**

The revised annual budget of £7,403,900 incorporates the findings of the review of the 2013/14 capital programme. The unspent balance remaining of the revised annual budget of £7,403,900 is £5,939,708 as at September 2013. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

- 3.4 The variance in Resources is attributable to the following:
- (i) An underspend on Planned Enhancements to Council Properties. Some work planned for the Civic Centre has been delayed and will now be carried out in 2014/15.
 - (ii) An overspend on Town Clocks Invest to Save initiative. Funding is provided for this project from revenue savings generated from the work.
 - (iii) An underspend on vehicle replacement purchases to date. The Director of Resources has approved a virement (£18,300) from the vehicle replacement programme to fund the purchase of route optimisation software. The software will allow the Council to fulfil a legal requirement for route risk assessment and allow performance management and modelling of domestic waste collection service rounds.
 - (iv) **The Executive is asked to approve a virement of up to £60,000 from a projected underspend at year end on the 2013/14 vehicle replacement to fund the one-off capital costs of leisure initiatives.**
- 3.5 The variance in Community Engagement is attributable to the following:
- (i) An underspend on Disabled Facilities Grants. The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
- 3.6 There are no significant variances to date in Local Environment.

3.7 There are no significant variances to date in Economic Development.

3.8 One scheme is included in the capital programme for 2013/14 that requires a report to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Note
Public Realm	100,000	
Total	100,000	

3.9 The information used in this report will be used to inform the 2014/15 budget process with initial budget reports being considered elsewhere on the agenda.

4. FINANCING

4.1 The 2013/14 capital programme can be financed as follows:

	£
Total Programme to be financed (para 2.1)	7,403,900
<u>Financed by:</u>	
Capital Receipts (including PRTB receipts)	5,623,800
Capital Grants	
• Disabled Facilities Grant	663,000
• General	320,600
Direct Revenue Financing	314,800
Other Contributions	56,800
Earmarked Reserves	424,900
Internal Borrowing	0
Total Financing	7,403,900

5. CAPITAL RESOURCES

5.1 The following table shows the position as at September 2013 of the capital resources due to be received during 2013/14:

	2013/14 Budget	2013/14 Revised Budget	2013/14 Actual	2013/14 Not yet received	Note
	£	£	£	£	
Capital Receipts					
· General	(660,000)	(660,000)	(5,000)	655,000	1
· Asset Review	(21,218,000)	(2,218,000)	0	2,218,000	1
· Vehicle Sales	0	0	(147,884)	(147,884)	2
· Renovation Grants repaid	0	0	(1,488)	(1,488)	
· PRTB Sharing agreement	(150,000)	(150,000)	(3,443)	146,557	3
Capital Grants					
· Disabled Facilities Grant	(663,000)	(663,000)	(667,717)	(4,717)	
· Old Town Hall	(33,700)	(33,700)	0	33,700	
· General	(255,700)	(282,700)	(255,724)	26,976	
Capital Contributions					
· Section 106	(716,800)	(56,800)	0	56,800	4
· General	0	0	(1,370)	(1,370)	
Total	(23,697,200)	(4,064,200)	(1,082,626)	2,981,574	

Notes:

1. Receipts for 2013/14 are anticipated to be received from the Lovells agreement (£160,000), general capital receipts (£250,000) and Hostel replacement (£250,000). The asset review sales anticipated to be received have been revised downwards to reflect delays in realising receipts.
2. Included within vehicle sales are receipts of £81,468 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 2013/14 and the current payment due to the Council is £238,913 based on 11 sales to date as at 30 September. This position is being monitored regularly and forecast projections for 2013/14 will be provided in a future report to the Executive. The income received to date relates to an adjustment on the 2012/13 receipts received.
4. Contributions from Section 106 agreements to Castle Way scheme (£46,800) and Public Realm S106 (£10,000). Although the monies have been received this will be a year end accounting adjustment. The reductions relate to reprofiling into 2014/15.

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 on a five-year rolling programme 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 2012/13 accounts, fixed assets totalled £153million (2011/12 £167million). This represents 91% 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 30 September 2013 debtors of £90,974 (£399,769 at 31 March 2013) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2012/13 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 2013 totalled £112,644 (£388,758 at 31 March 2013).

7. PERFORMANCE

- 7.1 The 2013/14 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.
- 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 28 November 2013.

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 2013;
 - (ii) Use the information in this report to inform the budget considerations for 2014/15 onwards;
 - (iii) Note the recommendations to Council to approve reprofiling of £710,000 from 2013/14 as detailed in RD56/13 elsewhere on the agenda;
 - (iv) Note the Director of Resources has approved a virement of £18,300 from the vehicle replacement programme to purchase route optimisation software for Waste Services. This is not included in the figures in the report.

- (v) Approve a virement of up to £60,000 from projected underspends on the 2013/14 vehicle replacement programme to fund the one off capital costs of leisure initiatives.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 10.1 The Council's capital programme reflects the current priorities in the Carlisle Plan e.g. Arts Centre and Public Realm work.

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**Appendices A to E
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

Community Engagement – Not applicable

Economic Development – Not applicable

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

Local Environment – Not applicable

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

2013/14 CAPITAL PROGRAMME

APPENDIX A

Scheme	Original Capital Programme 2013/14 £	Carry Forwards from 2012/13 £	Other Adjustments 2012/13 Outturn £	Other Adjustments £	Proposed Carry Forwards £	Revised Capital Programme 2013/14 £
Current non-recurring commitments						
Public Realm (S106)	330,000	40,000	0		(360,000)	10,000
Clean Up Carlisle	12,000	8,500	0			20,500
	342,000	48,500	0	0	(360,000)	30,500
Recurring commitments						
Asset Review Purchases/Expenditure	6,272,500	0	(6,272,500)	2,712,500		2,712,500
Planned Enhancements to Council Property	300,000	0	0		(50,000)	250,000
Vehicles, Plant & Equipment	259,500	311,000	0			570,500
ICT Shared Service	114,000	108,300	0			222,300
IT Equipment	79,000	0	(76,000)			3,000
	7,025,000	419,300	(6,348,500)	2,712,500	(50,000)	3,758,300
New non-recurring commitments						
Arts Centre	250,000	0	0	(200,000)		50,000
Public Realm Work	100,000	0	0			100,000
Paternoster Row	100,000	0	0			100,000
Harraby School and Community Campus contribution	600,000	0	0			600,000
Customer Contact Centre	0	0	0	40,000		40,000
Employee Payment & Resource Management System	0	0	0	70,000		70,000
Bring Sites Review	0	0	0	227,000		227,000
Purple Sacks Review	0	0	0	69,500		69,500
Empty Property Initiative	0	0	0	305,700		305,700
Cenotaph	0	0	0	67,000		67,000
Old Town Hall Phase 2	0	0	0	62,000		62,000
	1,050,000	0	0	641,200	0	1,691,200
Disabled Facilities Grants						
Private Sector Grants	863,000	0	0			863,000
	863,000	0	0	0	0	863,000
Continuing Schemes						
Play Area Developments	0	6,200	0			6,200
Old Town Hall	0	298,500	0			298,500
Trinity Church MUGA	0	2,100	0			2,100
Castle Street Public Realm	0	10,000	0			10,000
Female & Families Accommodation	0	608,600	0			608,600
Kingstown Industrial Estate	0	32,900	0			32,900
PCIDSS Capital	0	30,600	0			30,600
Document Image Processing	0	13,500	0			13,500
Connect 2 Cycleway	0	11,700	0			11,700
Castle Way (S106)	0	346,800	0		(300,000)	46,800
	0	1,360,900	0	0	(300,000)	1,060,900
TOTAL	9,280,000	1,828,700	(6,348,500)	3,353,700	(710,000)	7,403,900

SEPTEMBER 2013 - CAPITAL BUDGET MONITORING

APPENDIX B

RESOURCES

Scheme	Annual Budget	Proposed Carry Forwards	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
IT Shared Service	225,300	0	225,300	2,262	(3,056)	(5,318)	Part of Shared Service Business Case. Credit received for expenditure charged in 2012/13.
Planned Enhancements to Council Property	300,000	(50,000)	250,000	85,506	39,665	(45,841)	Budget released by Executive 8/4/13 (RD01/13). Slippage of £50,000 into 2014/15 for improvements to Civic Centre.
Town Clocks Invest to Save	0	0	0	0	12,799	12,799	To fit auto-winding and regulation of town clocks. Revenue savings will be generated to repay the capital investment.
Vehicles & Plant	570,500	0	570,500	270,000	261,584	(8,416)	Underspend to date on replacements.
Document Image Processing	13,500	0	13,500	6,754	8,929	2,175	Phased implementation in progress.
PCIDSS Capital	30,600	0	30,600	7,650	3,858	(3,792)	Implementation costs for a new security standard in line with the Payment Card Industry (RD26/12 Executive 6/8/12).
Employee Payment & Resource Management System	70,000	0	70,000	0	0	0	Approved by Executive 7/5/13 (RD07/13).
Asset Management Plan	2,712,500	0	2,712,500	0	1	1	A five year Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs in the revenue account on a recurring basis. The budgets have been returned to reserves and earmarked for asset purchases to be released back into the programme by Executive when such acquisition opportunities become available.
Cenotaph	67,000	0	67,000	0	0	0	Recommended by Executive (RD34/13) on 30/09/13 to Council for approval on 5/11/13.
Grand Total	3,989,400	(50,000)	3,939,400	372,172	323,780	(48,392)	

SEPTEMBER 2013 - CAPITAL BUDGET MONITORING

APPENDIX C

COMMUNITY ENGAGEMENT

Scheme	Annual Budget	Proposed Carry Forwards	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Customer Services	40,000	0	40,000	20,012	26,163	6,151	Improvements to Civic Centre reception/foyer area funded from additional revenue income generated. (OD 14/13 26.03.13)
Disabled Facilities Grants	863,000	0	863,000	431,673	277,180	(154,493)	The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
Housing - Investment in Empty Homes	0	0	0	0	1,000	1,000	Outstanding commitment from previous year schemes.
Empty Properties Initiative	305,700	0	305,700	0	4,980	4,980	Approved by Council 16/07/13 (CD42/13) to allow the provision of loans and grants to be made to owners of empty property and assist in bringing them back into use..
Families Accommodation Replacement	608,600	0	608,600	529,994	527,907	(2,087)	Project complete. Opening day held 15/07/13. Final account awaited.
Trinity Church Multi Use Games Area	2,100	0	2,100	1,050	0	(1,050)	Budget provided to allow replacement of existing seat and grass resurfacing.
Harraby School and Community Campus Contribution	600,000	0	600,000	0	1,394	1,394	Budget released by Executive 11/13/13 (SD02/13). Contribution to project expected to be made December 2013.
Art Centre	50,000	0	50,000	0	0	0	Revised scheme approved by Council (CD47/13 10/09/13)
Grand Total	2,469,400	0	2,469,400	982,729	838,624	(144,105)	

SEPTEMBER 2013 - CAPITAL BUDGET MONITORING

APPENDIX D

LOCAL ENVIRONMENT

Scheme	Annual Budget	Proposed Carry Forwards	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Play Areas	6,200	0	6,200	3,103	0	(3,103)	Budget provided for additional furniture/equipment at St James Park and Richmond Green play areas.
Chances Park	0	0	0	0	(1,000)	(1,000)	Retention less than expected.
Kingstown Industrial Estate Roads	32,900	0	32,900	0	0	0	To complete refurbishment of Kingstown Broadway North carriageway to 10 year design life including additional works to a number of access crossings.
Castle Street Public Realm Improvements	10,000	0	10,000	5,002	1,052	(3,950)	To complete scheduled works carried over from 2012/13.
Connect 2 Cycleway	11,700	0	11,700	5,854	0	(5,854)	To ensure works required to ensure adoption of the cycleway can be completed.
Clean Up Carlisle	20,500	0	20,500	4,252	0	(4,252)	Approved by Council 17/07/12 (LE22/12). Budget required to ensure the 2 year Clean Up Carlisle Campaign can be completed and full benefits received.
Public Realm (S106)	370,000	(360,000)	10,000	0	350	350	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies. Slippage into 2014/15.
Castle Way (S106)	346,800	(300,000)	46,800	0	55	55	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies. Slippage into 2014/15.
Bring Sites Review	227,000	0	227,000	0	0	0	Approved by Council 16/07/13 (LE21/13) to purchase vehicle and equipment required to provide an in-house service. Use of capital receipts will be repaid from revenue savings.
Purple Sacks Review	69,500	0	69,500	0	0	0	Approved by Council 10/09/13 (LE28/13) to purchase additional wheeled bins and gull sacks.
Grand Total	1,094,600	(660,000)	434,600	18,211	457	(17,754)	

SEPTEMBER 2013 - CAPITAL BUDGET MONITORING**APPENDIX E****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	100,000	0	100,000	0	0	0	Budget still to be released by Executive.
Old Town Hall - Strategic TIC	298,500	0	298,500	298,500	300,879	2,379	Revised project approved by Council 13/11/12. There is potential for an overspend on this project due to the funding partner changing their mind about supporting additional work agreed over the original tender amount.
Old Town Hall Phase 2	62,000	0	62,000	0	0	0	Recommended by Executive (ED27/13) on 30/09/13 to Council for approval on 5/11/13.
Paternoster Row	100,000	0	100,000	0	0	0	Approved by Executive 17/12/12 (ED37/12).
EA Central Plaza	0	0	0	0	452	452	Implementation on an Urgent Works Notice under Section 54 of the Planning (Listed Buildings and Conservation Areas) Act 1990 to be funded from the Conservation Fund approved by Executive 30.08.11 (ED29/11)
Grand Total	560,500	0	560,500	298,500	301,331	2,831	