



**PORTFOLIO AREA: POLICY, PERFORMANCE MANAGEMENT,
FINANCE AND RESOURCES**

Date of Meeting: 19 JULY 2004

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

**Title: PROVISIONAL CAPITAL OUTTURN AND CAPITAL
DETERMINATIONS 2003/04 AND REVISED CAPITAL
PROGRAMME 2004/05**

Report of: HEAD OF FINANCE

Report reference: FS12/04

Summary:

The attached report:

- (i) summarises the 2003/04 provisional out-turn for the Council's Capital Programme;
- (ii) summarises the Capital Determinations for 2003/04 as required by legislation;
- (iii) provides details of the revised Capital programme for 2004/05.

Recommendations:

The Executive is asked:

- i to agree the 2003/04 out-turn, as detailed in Appendix 1;
- ii to recommend that full Council agree the Capital Determinations for 2003/04 as set out in the report;
- iii to agree the revised programme for 2004/05, as detailed in Appendix 3, subject to approval by full Council;
- iv to note that the information contained in this report is provisional and subject to the formal audit process.

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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

CARLISLE CITY COUNCIL

To: The Executive
19 July 2004

FS12/04

PROVISIONAL CAPITAL OUTTURN AND CAPITAL DETERMINATIONS 2003/04
AND REVISED CAPITAL PROGRAMME 2004/05

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 This report sets out the summarised financial out-turn for the Council's Capital Programme as follows:
- (i) The out-turn for individual schemes for 2003/04, summarised in Appendix 1
 - (ii) The statutory Capital Determinations for 2003/04, summarised in Appendix 2
 - (iii) The revised programme for 2004/05, summarised in Appendix 3
- 1.2 The report sets out the financial implications arising from the out-turn including the impact on capital resources for 2004/05.
- 1.3 Members should note that the information contained in this report is provisional and subject to the formal audit process.
- 1.4 Please note that throughout this report the use of brackets represents a favourable variance i.e. either an underspend or additional income received.

2. SUMMARY CAPITAL OUTTURN 2003/04

- 2.1 **Appendix 1** details the out-turn for schemes included within the Council's Capital programme compared to the revised budget approved by Council in February 2004 and other necessary budget adjustments, which is summarised in the following table:

	<u>2003/04</u> <u>Revised</u> <u>Budget</u>	<u>2003/04</u> <u>Actual</u>	<u>2003/04</u> <u>Variance</u> <u>as at</u> <u>31/03/04</u>	<u>Committed</u> <u>Expenditure</u> <u>Carried</u> <u>forward to</u> <u>2004/05</u>	<u>2003/04</u> <u>Revised</u> <u>Variance</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Capital Programme	8,515,090	5,296,206	(3,218,884)	3,213,220	(5,664)

2.2 As at 31st March 2004 actual expenditure was £5.3m against a revised budget for the year of £8.5m. The reason for the variance of £3.2m (37%) at the financial year end is that many of the Capital schemes have been delayed for various reasons as discussed below and will be completed during 2004/05. The Head of Finance has delegated powers to approve carry forwards where the expenditure is committed and the use of the resource is restricted to the purpose the budget was originally provided for. Appendix 1 details brief reasons for the carry forward requests on each individual scheme and I am satisfied that budgets of £3.2m should be carried forward to 2004/05 subject to formal approval by Council to enable the schemes to be completed.

2.3 The necessary budget adjustments totalling £487,835 as shown on Appendix 1 can be broken down as follows:

- £200,000 – IEG grant from 2002/03 originally accounted for as income in advance.
- £252,565 – budgets which were carried forward from 2002/03 but were omitted in error from the VFM study recently undertaken.
- £35,270 – additional DEFRA grant awarded and received in relation to the Waste Minimisation and Recycling Scheme.

3. EXPLANATION OF VARIANCES

3.1 The net underspend for 2003/04 after allowing for the committed expenditure carry forward of £3,213,220 as detailed in Appendix 1 can be summarised as follows:

Scheme	£	Note
Vehicles, Plant & Equipment	(3,660)	1
Miscellaneous items	(2,004)	2
Total	(5,664)	

Note 1 The underspend on the Renewals Reserve relates to nominal savings generated on individual items replaced during the year.

Note 2 As detailed on Appendix 1.

4. FINANCING OF CAPITAL PROGRAMME 2003/04

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

	<u>Revised Budget</u> £	<u>Provisional Out-turn</u> £
Capital Programme expenditure in year	8,027,255	5,296,206
Further adjustments (note 1)	487,835	0
Less: Creditor provisions 2003/04 (note 2)	0	(1,231,422)
Add: Creditor provisions 2002/03 (note 3)	175,601	175,601
Add: Unfinanced Expenditure 2002/03 (note 4)	91,500	91,499
Total Expenditure to be financed	8,782,191	4,331,884
<u>Financed By:</u>		
Capital Receipts (note 5)	1,783,441	1,414,113
Renewals Reserve	1,211,908	895,582
Projects Fund	1,483,539	0
Capital Grant	1,905,909	524,669
Loan (BCA)	1,153,000	1,153,000
Specified Capital Grant (DFG)	177,000	99,217
Revenue Contributions	799,066	0
Property/CTS Reserves	268,328	245,303
Total Financing	8,782,191	4,331,884

Notes:

1. Further necessary budget adjustments relating mainly to the use of the Renewals Reserve to fund items of vehicles, plant and equipment (£252,565). Other adjustments refer to additional DEFRA grant awarded for the Waste Minimisation Scheme (£35,270) and the budget provision for IEG grant (£200,000) carried forward as income in advance from 2002/03.
2. Works completed 2003/04 but not invoiced and therefore does not required financing until 2004/05.
3. Works completed 2002/03 but not invoiced until 2003/04.

4. Outstanding grant claims in respect of Hammonds Pond. The claim was approved and paid in June 2003 and a small balance is required to be financed by the City Council.
5. Usable capital receipts carried forward from 2002/03 and those generated during 2003/04 amount to £2,124,833 compared to the revised estimate figure of £1,783,441, an increase of £341,390. Of this sum £1,414,113 has been used to fund the General Fund Capital Programme in 2003/04, with the balance (£710,720) being carried forward to 2004/05. In addition to the balance carried forward of £710,720, a debtor provision has been made for the PRTB receipts receivable under the RTB sharing agreement with Carlisle Housing Association (£5.1m) and the sale of an area of land at Burgh Road (£0.171m). Under the Capital Accounting Regulations, capital receipts are only usable when actually received but must be accrued to comply with proper accounting practices.

5. 1989 LOCAL GOVERNMENT AND HOUSING ACT DETERMINATIONS

- 5.1 Under the 1989 Local Government and Housing Act, local authorities are required to make certain determinations in respect of the preceding financial year. These determinations as laid out in the Act, are:
 - a. The use to be made of credit approvals (whether as authority to capitalise expenditure or to enter into a credit arrangement).
 - b. The use to be made of usable capital receipts (whether to meet expenditure for capital purposes or as voluntary provision for credit liabilities or as credit cover to enter credit arrangements).
 - c. The amounts to be set aside from revenue as provision for credit liabilities (including setting aside amounts from revenue for credit cover to enter credit arrangements).
 - d. The amounts which have been taken into account in determining the authority's credit ceiling or initial credit ceiling and are to be treated as having been repaid by reference to amounts set aside as provision for credit liabilities.
 - e. Whether expenditure which is to be reimbursed or defrayed out of money provided by some other person is to be capitalised.

5.2 Information relating to these determinations is summarised in the following table with more detail provided at **Appendix 2**:

	General Fund £	Housing General Fund £	Housing Revenue Account £	Total £
Use of Credit Approvals	666,921	0	486,079	1,153,000
Use of Usable Capital Receipts	1,366,409	47,704	0	1,414,113
Usable Capital Receipts Reserved to cover Credit Arrangements	0	0	0	0
Net Minimum Revenue Provision	(44,732)	0	0	(44,732)
Usable Capital Receipts used to repay Debt	0	0	0	0
Expenditure to be capitalised which is to be reimbursed or defrayed from money provided by some other person	0	0	0	0

6. CAPITAL PROGRAMME 2004/05

6.1 The revised Capital Programme for 2004/05 totalling £12,855,730 is detailed in **Appendix 3**. This is based upon the programme as agreed by Council in February 2004 of £8,654,540, together with the commitments brought forward from the previous financial year as identified in this report of £3,213,220. A further budget amendment has also been approved in relation to the Sheepmount Project, which was approved by the Executive and full Council on 17 May 2004. This amounts to an additional gross cost of £637,970, which results in a further requirement of £258,090 from City Council funds. The 2004/05 IEG grant of £350,000 has also been included. At this stage the commitment to fund improvements to Fusehill Street has not been taken into account, which is subject to a report considered elsewhere on this agenda.

6.2 At this point in time it is suggested that the revised programme be financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	8,654,540	8,654,540
Add: Carried forward from 2003/04	0	3,213,220
Add: Sheepmount	0	637,970
Add: Customer Contact/IEG		350,000
Revised Programme	8,654,540	12,855,730
Add: Creditor Provisions from 2003/04	0	1,231,422
Total Expenditure to be financed	8,654,540	14,087,152
<u>Financed by:</u>		
Borrowing (supported by RSG)	1,222,000	1,222,000
Specified Capital Grants (DFG)	177,000	177,000
Capital Receipts (note 1)	3,182,486	6,488,627
Capital Grants	1,300,000	3,268,525
Renewals Reserve	1,804,540	2,117,211
Projects Fund	968,514	790,443
Revenue Contributions (including HRA balances)	0	23,346
Total Financing	8,654,540	14,087,152

Notes:

1. The PRTB sharing agreement with Carlisle Housing Association generated a significant receipt in 2003/04 (see paragraph 4.1 note 4). This agreement will continue for the first 15 years of the contract and there is an expectation of substantial receipts being received. However there is also an expectation from the ODPM that these receipts should be used to fund the Council's housing strategy, whether by providing additional social housing or supporting private sector renewal, or in ways that will benefit the delivery of the sustainable community. For the purposes of this report the receipts received have been used to finance the 2004/05 programme on the basis that the schemes to which capital receipts funding has been applied will meet the definition of creating sustainable communities, which appears to have a wide definition. If additional guidance is received from either the ODPM or the Audit Commission (who have consulted their Technical Section for advice) on the usage of these PRTB receipts then a further report will be presented to a future meeting of the Executive.

- 6.3 The HRA has not yet been formally closed and therefore the available HRA balances have not been used to fund the capital programme. It was agreed by Council on 12 February 2004 that, once formally closed, the former HRA balances which were to be transferred into the projects fund, be used to finance schemes of a housing nature in partnership with Carlisle Housing Association.

7. CONSULTATION

7.1 Consultation to Date.

The Strategic Financial Planning Group considered the report on 5 July 2004 respectively and their comments have been incorporated into the report.

7.2 Consultation proposed.

Corporate Resources Overview and Scrutiny Committee will consider the report on 22 July 2004.

8. RECOMMENDATIONS

8.1 The Executive is asked:

- i to agree the 2003/04 out-turn, as detailed in Appendix 1;
- ii to recommend that full Council agree the Capital Determinations for 2003/04 as set out in the report;
- iii to agree the revised programme for 2004/05, as detailed in Appendix 3, subject to approval by full Council;
- iv to note that the information contained in this report is provisional and subject to the formal audit process.

9. REASONS FOR RECOMMENDATIONS

As stated above.

10. IMPLICATIONS

- Staffing/Resources – Not applicable
- Financial – contained within the main body of the report.
- Legal – Not applicable
- Corporate – The Strategic Financial Planning Group have considered this report and their comments have been incorporated.
- Risk Management – Not applicable
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

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2003/04 PROVISIONAL OUTTURN

APPENDIX 1

INDIVIDUAL SCHEMES	APPROVED BUDGET 2003/04 £	FURTHER ADJUSTMENTS 2003/04 £	FINAL REVISED BUDGET 2003/04 £	OUTTURN £	VARIANCE £	CARRIED FORWARD TO 2004/05 £	FINAL VARIANCE £	REASON FOR CARRY FORWARD REQUESTS
Leisureline Investment	630,000		630,000	527,912	(102,088)	102,100	12	Sands Restaurant included in Phases 3 & 4 to start 2004/05
Implementing Electronic Government	200,000	200,000	400,000	254,995	(145,005)	145,000	(5)	IEG work resulting from Contact Centre being operational
Crematorium Refurbishment	225,000		225,000	205,941	(19,059)	19,060	1	Outstanding refurbishment work - Crematorium Chapel
Asset Investment Fund	200,000		200,000	0	(200,000)	200,000	0	Work will begin on site in early Summer 2004
DDA Adaptations	384,020		384,020	108,735	(275,285)	275,290	5	Projects to be completed by Summer 2004
Planned Major Repairs	238,500		238,500	165,889	(72,611)	72,600	(11)	Projects due for completion in April 2004
Land & Property Gazetteer	65,000		65,000	0	(65,000)	65,000	0	Tenders currently being evaluated. Scheme to start 2004/05.
National Land Information System	52,000		52,000	34,110	(17,890)	17,890	0	Balance of funding carried forward to fund data capture 2004/05
Ledger Replacement	100,000		100,000	88,334	(11,666)	11,670	4	Balance of funding carried forward to complete project
Petiteville Bank Community Project	30,000		30,000	0	(30,000)	30,000	0	Work due to begin May 2004 & be completed by April 2005
Hammonds Pond	560,100		560,100	25	25	470,930	25	Lottery grant received less than expenditure
Sheepmount Development	150,000		150,000	89,171	(470,929)	0	(608)	1 Balance of budget rolled over into 2004/05 to continue project
Kerbside Recycling	500,000		500,000	149,392	(608)	276,660	(3)	2nd half of contract payable in 2004/05
Customer Contact	620,135	252,565	872,700	592,960	(279,740)	276,080	(3,660)	16 see note 1
Vehicles, Plant & Equipment	936,946		936,946	378,042	(558,904)	558,920	0	Used for improved signage in 2004/05
Private Sector HIP	10,000		10,000	2,980	(7,020)	7,020	4	Balance of funding carried forward to complete database
Car Parking	80,000		80,000	63,104	(16,896)	16,900	(2)	2003/04 overspend will have first call on 2004/05 budget provision
Asset Management Plan Database	108,500		108,500	118,258	8,758	(8,760)	1	see note 2
Civic Centre Space Planning	911,348		911,348	481,639	(429,709)	429,710	321	Further work on building to be completed in 2004/05
Millennium Gallery	232,060		232,060	217,381	(14,679)	15,000	(1,765)	balance of DEFRA grant unutilised
Bousteads Grassing Improvements	1,054,140	35,270	1,089,410	1,087,645	(1,765)	0	0	Project started 2003/04 and completed June 2004
Defra Recycling Scheme	140,000		140,000	0	(140,000)	140,000	0	Expected completion 2004/05
Bits Park Water Feature	542,786		542,786	450,636	(92,150)	92,150	0	
Raffles Vision	55,720		55,720	55,720	0	0	0	
Shaddonmill								
TOTAL CAPITAL PROGRAMME	8,027,255	487,835	8,515,090	5,296,206	(3,218,884)	3,213,220	(5,664)	

Notes

1. The Millennium Gateway Scheme underspend of £429,709 can be mainly attributed to the delay in the submission of final elements in respect of the many works packages awarded in respect of the project. This sum will need to be carried forward into 2004/05 to complete the scheme.

2. Following the transfer of housing stock to Carlisle Housing Association it came to light that a backlog of claims worth around £500,000 was still outstanding for Disabled Facilities Grants. These grants are mandatory and the Council is obliged to approve them if applicants meet the required criteria. The budget for the grants therefore had to take into account these pending claims, which did not start to arrive until the later part of the financial year and continued to arrive after the end of the financial year. Thus it will be necessary to carry forward the balance of the budget so that the Council can meet its obligations in 2004/05.

CAPITAL DETERMINATIONS 2003/04**CREDIT APPROVALS**

Credit Approvals in 2003/04 were used as follows:

	General Fund £	Housing General Fund £	Housing Revenue Account £	Total £
Basic Credit Approval	666,921	0	486,079	1,153,000
Supplementary Credit Approvals	0	177,000	0	177,000
Less Capital Grants received	0	175,644	0	175,644
Total net Credit Approvals	666,921	1,356	486,079	1,154,356
Use of Credit Approvals to fund Capital Expenditure	666,921	0	486,079	1,153,000
Credit Approvals Unutilised	0	1,356	0	1,356

USE OF USABLE CAPITAL RECEIPTS

Usable capital receipts (i.e. those not required to be set aside for future debt redemption) were applied as follows in 2003/04:

	Receipts b/fwd 01/04/03 £	Usable Receipts 2003/04 £	Used to fund Capital Expenditure £	Reserved to cover Credit Arrangements £	Receipts C/fwd 31/03/04 £
General Fund	993,904	425,972	1,366,409	0	53,467
Housing General Fund	0	47,704	47,704	0	0
Housing Revenue Account	622,023	35,230	0	0	657,253
Total	1,615,927	508,906	1,414,113	0	710,720

MINIMUM REVENUE PROVISION (MRP)

Local authorities are obliged to make provision for a specified minimum level of principal repayment to the consolidated loans pool. The current specified sums are 2% in respect of the H.R.A. credit ceiling and 4% in respect of the General Fund credit ceiling at the start of the financial year. The City Council is allowed to offset its total MRP liability by an adjustment relating to revenue grant commutation. The credit ceiling of a local authority is its debt outstanding offset by reserved i.e. 'frozen' capital receipts. In 2003/04 the relevant provisions were as follows:-

	General Fund £	Housing Revenue Account £
Credit Ceiling as at 1 April 2003	11,001,404	-99,118
Transfer	<u>-99,118</u>	<u>99,118</u>
Sub total	10,902,286	0
Minimum Revenue Provision *	436,091	0
Deduct net adjustment re loss of revenue grant post commutation of improvement grants	(480,823)	0
Net Minimum Revenue Provision 2003/04	(44,732)	0

* Minimum Revenue Provision is based on the opening credit ceiling and calculated at 4% on General Fund and 2% on Housing Revenue Account

USE OF RESERVED CAPITAL RECEIPTS TO REPAY DEBT

Reserved Capital Receipts used to repay debt in 2003/04:

General Fund	Nil
HRA	Nil

EXPENDITURE TO BE CAPITALISED WHICH IS TO BE REIMBURSED OR DEFRAID FROM MONEY PROVIDED BY SOME OTHER PERSON

No expenditure fell within this category.

2004/05 REVISED CAPITAL PROGRAMME

APPENDIX 3

INDIVIDUAL SCHEMES	ORIGINAL BUDGET 2004/05 £	OTHER ADJUSTMENTS £	COMMITMENTS B/FWD 2003/04 £	REVISED BUDGET 2004/05 £
IEG		160,000	145,000	305,000
Crematorium Refurbishment			19,060	19,060
Land & Property Gazetteer			65,000	65,000
Computerisation of Land Charges System			17,890	17,890
Ledger Replacement			11,670	11,670
Bitts Park Water Feature			140,000	140,000
Customer Contact Centre		190,000	276,660	466,660
Car Park Improvements			7,020	7,020
Asset Management Database			16,900	16,900
Bousteads Grassing Improvements			15,000	15,000
Raffles Vision	158,000		92,150	250,150
Leisuretime Investment	270,000		102,100	372,100
Sheepmount Development	2,394,000	637,970	470,930	3,502,900
Petteril Bank Community Project	90,000		30,000	120,000
Shaddonmill	24,000			24,000
Millennium Artefacts	0		429,710	429,710
Asset Investment Fund	200,000		200,000	400,000
Vehicles Plant & Equipment	1,804,540		276,080	2,080,620
Private Sector Renewal	768,000		558,920	1,326,920
DDA	100,000		275,290	375,290
Major repairs to Council Property	250,000		72,600	322,600
Industrial Estate Maintenance	500,000			500,000
Leabourne Road Regeneration	100,000			100,000
Newark Street Car Park	150,000			150,000
Corporate IT Infrastructure	35,000			35,000
Litter bins	50,000			50,000
Street Lighting	50,000			50,000
GIS	256,000			256,000
Document Image Processing	45,000			45,000
Electricity Supply	1,000,000			1,000,000
Civic Centre	200,000		(8,760)	191,240
Disabled Grants	150,000			150,000
Culverting Dow Beck	60,000			60,000
TOTAL CAPITAL PROGRAMME	8,654,540	987,970	3,213,220	12,855,730