

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

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Date of Meeting: 11 June 2007

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Public

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Key Decision: Yes

Recorded in Forward Plan:

Yes

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Inside Policy Framework

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Title: PROVISIONAL CAPITAL OUTTURN 2006/07 AND REVISED  
CAPITAL PROGRAMME 2007/08

Report of: DIRECTOR OF CORPORATE SERVICES

Report reference: CORP 16/07

### Summary:

The attached report:

- (i) summarises the 2006/07 provisional out-turn for the Council's Capital Programme;
- (ii) provides details of the revised Capital programme for 2007/08.

### Recommendations:

The Executive is asked to:

- (i) note the 2006/07 out-turn, as detailed in Appendix A;
- (ii) agree the revised programme for 2007/08, as detailed in Appendix B, for recommendation to Council on 18 July;
- (iii) 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  
11 June 2007

CORP 16/07

**PROVISIONAL CAPITAL OUTTURN 2006/07**  
**AND REVISED CAPITAL PROGRAMME 2007/08**

**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 2006/07, summarised in **Appendix A**
- (ii) the revised programme for 2007/08, and the provisional programme for 2008/09 and 2009/10, summarised in **Appendix B**.

1.2 The report sets out the financial implications arising from the out-turn including the impact on capital resources for 2007/08. Members should note that the information contained in this report is provisional and subject to the formal audit process. Any necessary changes required following the approval of the 2006/07 accounts will, if required, be reported verbally at a future Executive meeting.

1.3 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 2006/07**

2.1 The original capital programme of £9.746m for 2006/07 was approved in February 2006. Since then funding has been received towards additional capital schemes and in accordance with correct accounting treatment it is necessary to gross up the expenditure budgets to properly reflect the total cost of the schemes. The revised programme for 2006/07 of £11.601m is a result of the following funding streams:

	£
Original 2006/07 programme	7,657,600
Agreed carry forwards from 2005/06 (November 2005)	2,464,200
Commitments carried forward from 2005/06 (Year end)	3,821,600
Agreed carry forwards to 2007/08 (November 2006)	(2,070,100)
Schemes funded from flood in 2006/07	1,439,700
Schemes slipped into future years	(2,753,500)
 External contributions/grants	 521,500
Additional schemes	<u>520,600</u>
Revised 2006/07 programme	<b><u>11,601,600</u></b>

2.2 The provisional out-turn position for the 2006/07 capital programme is shown below:

Directorate	Revised Annual Budget £	Total Expenditure £	Variance £	Carry Forwards to 2007/08 £	Carry Forwards to 2008/09 £	Final Variance £
Community Services	5,493,300	3,667,221	(1,826,079)	1,776,800	49,300	21
Corporate Services	1,829,500	1,372,343	(457,157)	456,000	0	(1,157)
Development Services	3,953,200	4,095,832	142,632	(167,600)	25,000	32
Legal & Democratic Services	136,700	47,000	(89,700)	89,700	0	0
People, Policy & Performance Services	188,900	154,979	(33,921)	34,000	0	79
<b>Total</b>	<b>11,601,600</b>	<b>9,337,375</b>	<b>(2,264,225)</b>	<b>2,188,900</b>	<b>74,300</b>	<b>(1,025)</b>

2.3 The above table shows that the capital programme for 2006/07 has been contained within the overall budget. There are no reasons for concerns overall; however, some schemes have not been completed to the original timescales which has resulted in the request for carry forwards. Further details for each directorate are included in **Appendices A1-A5**.

### 3. CARRY FORWARD REQUESTS

3.1 The Director of Corporate Services has delegated powers to approve carry forwards where the budget is committed and the use of the resource is restricted to the purpose for which the budget was originally provided.

3.2 The Executive has already approved carry forwards of £2.0m to future years in November 2006. Further carry forwards at the end of the year have been analysed to assess the year of potential expenditure to enable better profiling of budgets for future years. As shown in paragraph 2.2, it is estimated that £2,188,900 will be spent in 2007/08 and the remaining £74,300 will be spent in 2008/09.

- 3.3 Whilst this report does indicate a significant degree of slippage into future years, it should be noted that the regular capital budget monitoring summaries have consistently indicated a considerable level of underspend that would entail a carry forward request. Many of the carry forwards are due to budget profiles; these are continually updated as information is received on the progress of individual schemes, but have been skewed at the year end with the final allocation of flood monies to capital projects.
- 3.4 Two schemes are carrying forward negative budgets. This occurs when expenditure has been incurred ahead of the 2007/08 allocation, and the overspend has first call on the following year's budget. The schemes are as follows:
- (i) Planned Major Repairs - £24,400  
Work on the refurbishment of the Civic Centre has been underway since the flood, and has been funded from both capital receipts and insurance monies. Due to the scope of the work carried out, some projects have been completed which were not originally planned until 2007/08 and therefore have used funding allocated to next year.
  - (ii) Housing Strategy - £729,000  
The budget is £1,250,000 per year for five years, and a decision was taken in 2006/07 to defer £845,000 to year five to allow the activities within the scheme to be reassessed. During the course of the year the Council has attained the Government's Decent Homes targets set for 2009/10, and a decision will now be required regarding the reallocation of this funding to other Housing Strategy projects. Much of the expenditure within the Housing Strategy budgets is for grant work, and it is difficult to determine exactly when monies will be paid out. Grants already approved and committed will be taken into account when making awards in 2007/08.
- 3.5 The City Council is installing two new cremators during 2007/08 at a cost of £780,000. As the activity is exempt for VAT purposes, expenditure on this scheme will impact on the Council's partial exemption calculation and may result in a limit on the amount of VAT recoverable by the Council. The Council can recover any VAT incurred on exempt activities subject to a 5% limit. Once this limit is breached, all the VAT incurred must be repaid to HMRC which will be a call on the revenue account. Therefore all capital schemes which are classified as exempt activities (cremators and industrial estates are the main exempt projects in 2007/08) need to be monitored closely so that the impact on the Council's 5% limit can be assessed.

- 3.6 The effect on the implications for VAT is further exacerbated by the carrying forward of budgets relating to exempt schemes. The Cremators project is already underway but work relating to three industrial estates is being considered as one scheme for 2007/08 in a report to be submitted to the Executive later in the year. Expenditure on this area may need to be restricted so that the limit for 2007/08 (still to be calculated) is not breached. Further reports on this issue will be made in due course.

#### 4. FINANCING OF CAPITAL PROGRAMME 2006/07

- 4.1 Utilisation of resources to fund the 2006/07 Capital Programme in the light of the out-turn is provisionally estimated as follows:

	<b><u>Revised Budget</u></b> <b>£</b>	<b><u>Provisional Out-turn</u></b> <b>£</b>
Capital Programme expenditure in year	<b>11,601,600</b>	<b>9,337,375</b>
Release of provision re 2005/06 scheme	<b>0</b>	<b>(47,000)</b>
<b>Amount to be financed</b>	<b>11,601,600</b>	<b>9,290,375</b>
<b><u>Financed By:</u></b>		
Capital Grants		
• Regional Housing Pot	1,503,000	1,503,000
• DFG	280,000	279,694
• General (note 1)	712,900	502,124
Capital Receipts (note 2)	6,576,200	6,170,824
Reserves & Balances		
• Renewals Reserve	799,300	496,679
• Revenue funding (note 3)	1,402,900	0
Contributions from other bodies	327,300	338,054
<b>Total Financing</b>	<b>11,601,600</b>	<b>9,290,375</b>

#### Notes:

1. The shortfall on capital grants applied relates to the fact that some schemes funded by the £1.5m grant from the ODPM are not yet complete.
2. Usable capital receipts carried forward from 2005/06 and those generated during the year amount to £18,784,439 compared to the revised estimate figure of £15,851,594, an increase of £2,932,845. This increase is due to a reduced call on capital receipts in previous years due to slippage and additional receipts generated in 2006/07. Of the total sum available, £6,170,824 has been used to fund the General Fund Capital Programme in 2006/07, with the balance (£12,613,615) being carried forward to 2007/08.

3. This budget principally relates to the revenue funding of the flood recovery capital work, together with some small revenue funded leisure schemes. Because the Council's forward projections of revenue reserves are fully committed, the strategy is to maximise the use of capital resources wherever possible. The relevant capital work incurred in 2006/07 totalling £736,127.28 has therefore been provisionally funded from capital receipts and the unutilised revenue funding will be a corresponding increase in revenue balances.

## 5 THREE YEAR CAPITAL PROGRAMME

- 5.1 A three-year Capital Programme for 2007/08 to 2009/10 is detailed in **Appendices B1-B2**.
- 5.2 The programme for **2007/08** totalling £8,205,200 is based upon the programme as agreed by Council in February 2007 of £4,064,000, the carry forwards already approved by the Executive in November 2006 of £1,952,300 and the commitments brought forward from 2006/07 as identified above of £2,188,900.
- 5.3 It has been recognised that carry forwards may impact on the authority's ability to deliver the next year's capital programme. To this end, the 2007/08 programme has been kept to a level that takes account of these capacity issues.
- 5.4 It is suggested that the revised programme for 2007/08 is financed as follows:

	<b><u>Original Budget</u></b> £	<b><u>Revised Budget</u></b> £
Original Programme	4,064,000	4,064,000
Add: Carried forward from 2006/07	1,952,300	1,952,300
Add: Commitments brought forward from 2006/07	0	2,188,900
<b>Total Expenditure to be financed</b>	<b>6,016,300</b>	<b>8,205,200</b>
<b><u>Financed by:</u></b>		
Capital Grants		
• Regional Housing Pot	1,519,000	1,519,000
• DFG	226,000	226,000
• General	300,000	646,400
Capital Receipts (note 1)	3,432,300	5,262,900
Reserves & Balances		
• Renewals Reserve	536,000	536,000
Contributions from other bodies	3,000	14,900
<b>Total Financing</b>	<b>6,016,300</b>	<b>8,205,200</b>

5.4 The proposed programme for **2008/09** totalling £3,211,100 is based upon the programme as agreed by Council in February 2007 of £3,019,000, the carry forwards already approved by the Executive in November 2006 of £117,800 and the commitments brought forward from 2006/07 as identified above of £74,300.

5.5 The proposed programme for **2009/10** totalling £3,275,000 is based upon the programme as agreed by Council in February 2007.

## **6. CONSULTATION**

6.1 Consultation to Date.

SPG and SMT have considered the issues raised in this report.

6.2 Consultation proposed.

Corporate Resources Overview and Scrutiny Committee will consider the report on 14 June 2007.

## **7. RECOMMENDATIONS**

7.1 The Executive is asked to:

- (i) note the 2006/07 out-turn, as detailed in Appendix A;
- (ii) agree the revised programme for 2007/08, as detailed in Appendix B, for recommendation to Council on 18 July;
- (iii) note that the information contained in this report is provisional and subject to the formal audit process.

## **8. REASONS FOR RECOMMENDATIONS**

As stated above.

## **9. IMPLICATIONS**

- Staffing/Resources – Not applicable
- Financial – contained within the main body of the report.
- Legal – Not applicable
- Corporate – SPG and SMT have been involved in the preparation of this report.
- Risk Management – Individual capital schemes have different risks attached.
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable
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**PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2006/07**

**APPENDIX A1**

**COMMUNITY SERVICES**

**Position as at 31 March 2007**

<b>Scheme</b>	<b>Revised Annual Budget 2006/07 £</b>	<b>Expenditure to date 2006/07 £</b>	<b>Variance to date 2006/07 £</b>	<b>Potential Carry Forwards to 2007/08 £</b>	<b>Potential Carry Forwards to 2008/09 £</b>	<b>Adjusted Variance £</b>	<b>Details of major variances</b>
Bitts Park Water Feature	4,300	(1,711)	(6,011)	6,000	0	(11)	Additional work is due to flood damage and depends on the weather.
Shaddonmill	22,000	21,300	(700)	0	0	(700)	Rental for Artefacts.
Carlisle Leisure Ltd	136,300	76,905	(59,395)	59,400	0	5	Carry forward is for Tennis Airdome, and resolution of Stony Holme which is underway.
Sheepmount Development	183,000	17,631	(165,369)	165,300	0	(69)	Ongoing contractual issues to resolve.
Kingstown Industrial Estate	27,200	7,591	(19,609)	19,600	0	(9)	Outstanding traffic management issues (highways/landscaping) in discussion with tenants.
Willowholme Industrial Estate	42,200	7,573	(34,627)	25,300	9,300	(27)	Outstanding agreed works - will be complete by Summer 2007.
Durranhill Industrial Estate	200,000	1,116	(198,884)	168,900	30,000	16	Programme of works agreed and being procured.
DDA	21,200	45,073	23,873	0	0	23,873	Overspend relates to work in Civic Centre and is funded from other Civic Centre budgets.
Planned Major Repairs	346,600	354,027	7,427	(24,400)	0	(16,973)	Overspend has first call on 2007/08 budgets.
Civic Centre - Office Reorganisation	20,300	17,703	(2,597)	0	0	(2,597)	Scheme now complete.
Civic Centre Betterment	195,000	185,023	(9,977)	0	0	(9,977)	Funds additional work to Civic Centre not covered by insurance.
Car Park Improvements	39,100	10,420	(28,680)	28,700	0	20	Carry forward will be used for Tourist Information signage.
Street Lighting	0	(1,338)	(1,338)	0	0	(1,338)	Scheme completed and costs charged in 2005/06.
Sheepmount Bridge	112,200	114,214	2,014	(2,000)	0	14	Work complete. Overspend (due to retention) will have first call on 2007/08 budget.
Kingmoor Nature Reserve	8,000	7,790	(210)	0	0	(210)	Work complete.
Hardwicke Circus Fountain	20,000	20,000	0	0	0	0	Work complete.
California Road Football Pitch	7,700	7,700	0	0	0	0	Work complete.
Dale End Road Football Pitch	7,700	7,700	0	0	0	0	Work complete.
Fusehill Street Play Area	56,800	57,172	372	0	0	372	Work complete.
Back Lanes	106,300	106,362	62	0	0	62	Work complete.
Talkin Tarn	993,500	977,904	(15,596)	15,600	0	4	Completed in November 2006. Final account to resolve.
Heysham Park	165,700	81,218	(84,482)	84,500	0	18	Initial delays in phasing of 3 year programme. Work underway.
Bitts Park Play Area	162,800	161,444	(1,356)	1,400	0	44	Main work completed. Seating and litter bins to be installed. Weather dependent.
Cremators	355,000	211,711	(143,289)	143,200	0	(89)	Tender awarded. Profiling depended on supplier.



## **COMMUNITY SERVICES**

### **Position as at 31 March 2007**

<b>Scheme</b>	<b>Revised Annual Budget 2006/07 £</b>	<b>Expenditure to date 2006/07 £</b>	<b>Variance to date 2006/07 £</b>	<b>Potential Carry Forwards to 2007/08 £</b>	<b>Potential Carry Forwards to 2008/09 £</b>	<b>Adjusted Variance £</b>	<b>Details of major variances</b>
Multi Use Games Areas	24,000	3,862	(20,138)	20,100	0	(38)	Work has been completed. Final account to resolve. Retention payable in 2007/08.
Multi Use Games Area - Hammonds	114,000	103,094	(10,906)	10,900	0	(6)	Work has been completed. Final account to resolve. Retention payable in 2007/08.
Play Area Developments	50,000	0	(50,000)	50,000	0	0	Works in Beaver Rd completed in April.
Renaissance Improvements	50,000	25,068	(24,932)	15,000	10,000	68	£50,000 carried forward in November for Renaissance projects. The £25,000 carry forward is for the Three Rivers Strategy.
Environmental Improvements	337,400	302,158	(35,242)	35,200	0	(42)	Carry forward is for completion of agreed work on litter bins and removal of planters and street clutter.
Waste Minimisation	1,036,900	575,408	(461,492)	461,500	0	8	Expenditure profile adjusted. Majority of expenditure will take place in 2007/08 as Alternate Weekly Collections scheme starts.
Small Scale Community Projects	61,100	31,081	(30,019)	30,000	0	(19)	All the budget has been committed but an element of the work is not yet complete and needs to be carried forward.
Energy Efficiency Schemes	62,000	69,570	7,570	0	0	7,570	Additional work identified and carried out.
Willowholme Depot	35,000	0	(35,000)	35,000	0	0	Part of flood insurance settlement (allocated in March 2007 on closure of insurance account.) To be completed in 2007/08.
Bousteads Depot	100,000	41,763	(58,237)	58,300	0	63	Part of flood insurance settlement (allocated in March 2007 on closure of insurance account.) Scheme underway.
Bitts Park Depot	390,000	20,689	(369,311)	369,300	0	(11)	Part of flood insurance settlement (allocated in March 2007 on closure of insurance account.) Scheme underway.
<b>TOTAL</b>	<b>5,493,300</b>	<b>3,667,221</b>	<b>(1,826,079)</b>	<b>1,776,800</b>	<b>49,300</b>	<b>21</b>	