

# **RESOURCES OVERVIEW AND SCRUTINY PANEL**

## ***Panel Report***

**Public**

**Date of Meeting:** 07<sup>th</sup> December 2010

**Title:** CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO SEPTEMBER 2010

**Report of:** Assistant Director (Resources)

**Report reference:** RD49/10

### **Summary:**

This report provides an overview of the Council's budgetary position on the capital programme for the period April to September 2010. As well as monitoring the progress of the schemes within the capital programme, the report includes details of the capital resources available to the authority, how the 2010/11 programme is financed, and information regarding balance sheet management.

Members' attention is drawn to the budgetary position as at September 2010 which shows an underspend of £26,578 against the budget to date. A full review of the capital programme over the life of the MTFP is being undertaken as part of the 2011/12 budget process to identify accurate project profiles and potential savings that can be made due to projected shortfalls in capital resources following the spending review announcement.

### **Questions for / input required from Scrutiny:**

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

### **Recommendations:**

Members of the Resources Overview and Scrutiny Panel are asked to note the overall budgetary position for the period April to September 2010.

**Contact Officer:** Emma Gillespie

**Ext:** 7289

**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**



# REPORT TO EXECUTIVE

## PORTFOLIO AREA: GOVERNANCE & RESOURCES

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**Date of Meeting:** 22 November 2010

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**Public**

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**Key Decision:** No

**Recorded in Forward Plan:**

**No**

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**Inside Policy Framework**

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**Title:** CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO SEPTEMBER 2010

**Report of:** ASSISTANT DIRECTOR (RESOURCES)

**Report reference:** RD49/10

### Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to September 2010. Some of the issues in this report are considered elsewhere on the agenda in RD53/10.

### 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 2010.
- (ii) Use the information in this report to inform the budget considerations for 2011/12 onwards;
- (iii) Note the recommendations to Council to approve the slippage (£3,645,300) and savings identified (£99,700) as detailed in RD53/10 elsewhere on the agenda.
- (iv) Approve the release of funding for the Families Accommodation replacement project of £2 million over a three year period.

**Contact Officer:** Emma Gillespie

**Ext:** 7289

## CITY OF CARLISLE

To: The Executive  
22 November 2010

RD49/10

### CAPITAL BUDGET OVERVIEW AND MONITORING REPORT APRIL TO SEPTEMBER 2010

#### **1. BACKGROUND INFORMATION AND OPTIONS**

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Assistant Director (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/Assistant Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Assistant Director (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 2010/11:

<b>2010/11 Capital Budget</b>	<b>£</b>
<b>Original 2010/11 Programme (approved Feb 2010)</b>	<b>11,334,200</b>
Carry Forwards from 2009/10 (RD10/10 Council 29/06/10)	1,459,100
Brought forward from 2011/12 (RD10/10 Council 29/06/10)	6,000
Additional contribution for vehicles (RD10/10 Council 29/06/10)	2,400
Direct revenue financing for vehicles (RD10/10 Council 29/06/10)	1,800
<b>2010/11 Capital Programme (RD10/10 Council 29/06/10)</b>	<b>12,803,500</b>
Use of EEAC reserve for Housing Strategy - Decent Homes (DS100/09 Exec 14/12/09)	50,000
Reprofiling of Housing Strategy into future years (CD03/10 Exec 04/06/10)	(400,000)
Additional contribution towards West Walls	5,000
Additional contribution towards City Play Trail	71,900
<b>Revised 2010/11 Capital Programme (at Sept 2010)</b>	<b>12,530,400</b>
Return to Reserves pending further reports to Executive	(99,700)
Carry forwards into 2011/12	(3,645,300)
<b>Revised 2010/11 Capital Programme (Sept 2010 RD53/10)</b>	<b>8,785,400</b>

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

## 3. 2010/11 BUDGET MONITORING

3.1 The position statement as at September 2010 can be summarised as follows:

<b>Directorate</b>	<b>Revised Annual Budget £</b>	<b>Budget to Sept 2010 £</b>	<b>Expenditure to Sept 2010 £</b>	<b>Variance to date £</b>	<b>Carry forwards identified £</b>	<b>Para. Ref.</b>
Governance	0	0	12,188	12,188	0	3.5
Resources	1,327,800	223,603	223,081	(522)	0	3.6
Community Engagement	5,225,900	1,029,876	978,137	(51,739)	0	3.7
Local Environment	1,940,600	938,735	742,091	(196,644)	0	3.8
Economic Development	291,100	284,403	494,542	210,139	0	3.9
<b>Total</b>	<b>8,785,400</b>	<b>2,476,617</b>	<b>2,450,039</b>	<b>(26,578)</b>	<b>0</b>	

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

- 3.2 As at the end of September, expenditure of £2,450,039 has been incurred. When considered against the profiled budget of £2,476,617 this equates to an underspend of £26,578.

Council approved carry forwards of £1,459,100 from 2009/10 into the 2010/11 capital programme in June 2010 (RD10/10). Expenditure of £449,959 has been incurred against this budget leaving £1,009,141 carried forward from 2009/10 unspent as at September 2010. Of the balance remaining, £230,000 has been identified to be carried forward into 2011/12 (part of the £3,645,300 carry forwards identified).

- 3.3 An initial review of the capital programme over the life of the MTFP/Capital Strategy has been undertaken to identify accurate project profiles and potential savings that can be made. To date £3,645,300 has been identified as needing profiled into future years. Carry forwards will be limited to the amount of underspend at the year end. £99,700 has been identified as potential budget to be returned to reserves.

A further fundamental review of the capital programme is now being undertaken as a result of the announcements of Government in the spending review to ensure the capital programme is affordable. This will be subject to further reports to a future Executive.

- 3.4 The revised annual budget of £8,785,400 incorporates the findings from the initial review. The unspent balance remaining of the revised annual budget of £8,785,400 is £6,335,361 as at September 2010.
- 3.5 The budget within Governance for the Millennium Gallery is to be returned to reserves as expenditure will be funded by a provision at the year end.
- 3.6 There are no significant variances to report in Resources. Carry forwards have been identified in relation to work at the Old Town Hall (£21,000) and seven vehicle replacements (£62,700), and £70,000 has been identified to be brought forward from 2011/12 to 2010/11 for energy efficiency/sustainability measures at Tullie House.
- 3.7 Community Engagement is responsible for over half of the City Council's 2010/11 capital programme. The variance in Community Engagement is mainly attributable to the following:
- (i) An underspend on the Roman Frontier project. The funding package and profiles for this scheme are currently being revised and finalised with the funding bodies, and will need revised accordingly. Funding agreements from North West

Development Agency and European Regional Development Fund have been received.

- 3.8 The variance in Local Environment is mainly attributable to the following:
- (i) An underpend on Environmental Enhancements. The 2010/11 allocation has to be confirmed for individual schemes which will amend the current budget profile.
  - (ii) An underspend on Kingstown Industrial Estate Roads. This project is delayed until the County Council agree to the standard of work required to get the roads up to suitable standard for adoption.
  - (iii) An underspend on Willowholme Industrial Estate Roads which is currently on hold pending completion of work by other contractors in the area.
  - (iv) An overspend on Waste Minimisation relating to the purchase of replacement wheeled bins for those stolen or damaged. Funding options for this service are currently being investigated.
- 3.9 The variance in Economic Development is attributable to the Sub Regional Employment Sites scheme. Additional work relating to asbestos was required due to damage caused to the site through vandalism. This was over and above the level of expenditure agreed to be funded within the funding agreement and other sources of finance are being investigated. A claim has been submitted to the Council's insurers to try and recover the additional costs incurred. If unsuccessful, the Council may have to fund this additional expenditure (£210,000) as North West Regional Development Agency has confirmed they are unable to make any further contributions.
- 3.10 An application has been submitted for a capitalisation direction to capitalise the one-off costs of the Transformation programme incurred in 2010/11. If this was to be granted, capital resources would be required to fund this expenditure (£504,000) but there would be a corresponding saving in the revenue account. Any decision on the success of the application will not be known until late January 2011.
- 3.11 A number of schemes are included in the capital programme for 2010/11 that require reports to be presented to the Executive for the release of funding before the schemes can go ahead.

Scheme	Budget £	Note
CCTV	70,000	
Play Areas	50,000	1
Families Accommodation Replacement	200,000	2
Old Town Hall	970,000	
Roman Frontier	2,117,000	3

Notes:

1. A report is presented elsewhere on the agenda requesting the release of this budget.
2. The Families Accommodation replacement scheme has been subject to various reports to Executive and the recommendations approved by Executive on the 25<sup>th</sup> October 2010 authorised the scheme to be progressed as well as the release of the land. Approval is now sought for the release of the allocated capital funding (£2 million over three years 2010/11 to 2012/13) by the Executive in order to progress the scheme. A further report regarding the revenue funding of the scheme will be brought to Executive in due course.
3. Full funding package is still awaited and will be subject to further reports to the Executive.

The above schemes have been included in the profiling exercise detailed earlier in the report. As at September, it is anticipated that a carry forward will be required for Families Accommodation Replacement (£172,000) due to a delay in the selection of an appropriate site, Old Town Hall (£970,000), and Roman Frontier (£654,600).

- 3.12 The information used in this report will be used to inform the 2011/12-budget process with initial budget reports being considered elsewhere on the agenda.
- 3.13 Schemes currently under review include the Sands Development, Caldew Riverside and Rickerby Park. These will be considered through the 2011/12 budget process and the review of the capital programme which is currently taking place.

#### 4. FINANCING

4.1 The 2010/11 capital programme can be financed as follows:

	£
<b>Total Programme to be financed (para 2.1)</b>	<b>8,785,400</b>
<u>Financed by:</u>	
Capital Receipts (including PRTB receipts)	3,548,200
Capital Grants	
• Regional Housing Pot	768,000
• Disabled Facilities Grant	663,000
• General	3,591,300
Direct Revenue Financing	4,800
Other Reserves and Contributions	210,100
<b>Total Financing</b>	<b>8,785,400</b>

#### 5. CAPITAL RESOURCES

The following table shows the position as at September 2010 of the capital resources due to be received during 2010/11:

	2010/11 Original Budget £	2010/11 Revised Budget £	2010/11 Actual £	2010/11 Not yet received £	Note
Capital Receipts					
• General	(1,200,000)	(410,000)	(27,278)	382,722	1
• Renovation Grants repaid	0	0	(22,331)	(22,331)	
• PRTB Sharing agreement	(400,000)	(202,000)	0	202,000	2
Capital Grants					
• Disabled Facilities Grant	(663,000)	(663,000)	(663,000)	0	
• Regional Housing Pot	(768,000)	(768,000)	(768,000)	0	
• Resource Centre	(1,130,000)	(998,000)	(1,130,000)	(132,000)	3
• Sub Regional Employment Sites	(277,700)	(277,700)	(278,313)	(613)	
• Old Town Hall	(880,000)	0	0	0	4
• Roman Frontier	(1,928,500)	(1,333,900)	0	1,333,900	5
• Chances Park	(234,000)	(234,000)	0	234,000	
• General	(76,900)	(76,900)	(43,839)	33,061	6
Capital Contributions	(80,400)	(80,400)	(20,101)	60,299	7
<b>Total</b>	<b>(7,638,500)</b>	<b>(5,043,900)</b>	<b>(2,952,862)</b>	<b>2,091,038</b>	

Notes:

1. Receipts in 2010/11 are anticipated to be significantly less than original projections as follows:



	2010/11 Original Projection £	2010/11 Revised Projection £
Lovells/Raffles	(250,000)	(160,000)
London Road Hostel	(450,000)	0
General asset sales	(500,000)	(250,000)
<b>Total</b>	<b>(1,200,000)</b>	<b>(410,000)</b>

The receipt from the families accommodation is likely to be delayed and is being considered as part of the 2011/12 budget process. A receipt from the sale of Trade Waste has been received.

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 information has been received from Riverside Group forecasting that the income from PRTB receipts for 2010/11 is likely to be around £202,000 with a maximum of 6 sales projected during the year. As at 30 September there have been 2 sales to date.
3. £132,000 grant for the Resource Centre has been earmarked for carry forward as the project will now span more than one financial year.
4. The funding package for the Old Town Hall is still being developed and is not yet secure. The full budget has been earmarked as a carry forward and will be revised accordingly once confirmation of grants has been received.
5. NWDA has awarded £515,000 and European Regional Development Fund (ERDF) has awarded £1million for Roman Frontier. The full funding package is currently being finalised and further reports are required to the Executive requesting the release of the capital budget and to update Members on the final funding for the scheme. £594,600 is to be carried forward into future years.
6. Grants are expected towards the cost of West Wall Enhancements (£5,000) and City Play Trail (£71,900).
7. Contributions from other organisations are expected towards the cost of Trinity Church MUGA (£78,000), and vehicle replacements (£2,400).

## **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 the Property section. 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 Income and Expenditure Account as appropriate.
- 6.3 The value of fixed assets is a significant part of the balance sheet. In the 2009/10 accounts, fixed assets totalled £154million (2008/09 £143million). This represents 89% 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 2010 debtors of £47,102 (£2.07million at 31 March 2010) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2009/10 were received in May 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 September 2010 totalled £135,580 (£328,874 at 31 March 2010).

## **7. PERFORMANCE**

- 7.1 The 2010/11 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. A full review of the capital programme over the life of the MTFP is being undertaken to identify accurate project profiles and potential savings that can be made. The outcome of which is included in the narrative within this report, and will be considered as part of the 2011/12 budget setting process. The robust review of the 2010/11 capital programme will reduce the level of carry forwards required at year end, but it is likely there will still be a requirement for some carry forwards at the end of the year due to further slippage and delays on projects in the remainder of the year.
- 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 Project Assurance Group chaired by the Deputy 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 have considered the issues raised in this report
- 8.2 Consultation Proposed.  
Resources Overview and Scrutiny Panel will consider the report on 7 December 2010.

## **9. RECOMMENDATIONS**

- (i) Note and comment on the overall budgetary position and performance aspects of the capital programme for the period April to September 2010.
- (ii) Use the information in this report to inform the budget considerations for 2011/12 onwards;
- (iii) Note the recommendations to Council to approve the slippage (£3,645,300) and savings identified (£99,700) as detailed in RD53/10 elsewhere on the agenda.

- (iv) Approve the release of funding for the Families Accommodation replacement project of £2 million over a three year period.

**10. REASONS FOR RECOMMENDATIONS**

As stated above.

**11. IMPLICATIONS**

- Staffing/Resources – Not applicable
- Financial – Contained within the main body of the report
- Legal – Not applicable
- Corporate – SMT have been involved in the preparation of this report.
- Risk Management – Not applicable
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

## 12. IMPACT ASSESSMENTS

**Does the change have an impact on the following?**

Assessment	Impact Yes/No?	Is the impact positive or negative?
<b>Equality Impact Screening</b> Does the policy/service impact on the following?		
Age	No	
Disability	Yes	Positive
Race	Yes	Positive
Gender/ Transgender	No	
Sexual Orientation	No	
Religion or belief	No	
Human Rights	No	
Social exclusion	Yes	Positive
Health inequalities	Yes	Positive
Rurality	Yes	Positive

**If you consider there is either no impact or no negative impact, please give reasons:**

Capital Programme includes a range of positive projects that will directly benefit protected characteristics:

Disabled Facilities Grant budget, The Resource Centre, Housing Strategy (includes rural), Play Area Development, Families Accommodation Replacement, Harker Dene Site, Lowry Hill Park, Heysham Park Play Area, Trinity MUGA, Play Trail.

**If an equality Impact is necessary, please contact the P&P team.**

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