

Report to Resources Overview and Scrutiny Panel

Agenda
Item:
**A.7
(b)**

Meeting Date: 13 June 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD.06/17
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL OUTTURN 2016/17 AND REVISED CAPITAL PROGRAMME 2017/18
Report of: CHIEF FINANCE OFFICER
Report Number: RD 04/17

Purpose / Summary:

This report summarises the 2016/17 provisional out-turn for the Council's capital programme and provides details of the revised capital programme for 2017/18. This report was considered by Executive on 5 June 2017.

Questions for / input required from Scrutiny:

Members are asked to scrutinise the outturn position including the approved slippage of schemes and the resulting impact on the 2017/18 capital programme.

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to consider this report.

Tracking

Executive:	5 June 2017
Overview and Scrutiny:	ROSP 13 June 2017
Audit Committee:	14 July 2017
Council:	11 July 2017

Report to Executive

Agenda
Item:

Meeting Date: 5th June 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD.06/17
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL OUTTURN 2016/17 AND REVISED CAPITAL PROGRAMME 2017/18
Report of: CHIEF FINANCE OFFICER
Report Number: RD 04/17

Purpose / Summary:

This report summarises the 2016/17 provisional out-turn for the capital budget and provides details of the revised capital programme for 2017/18. The out-turn shows that the net underspend for Council Services as at 31 March 2017 once committed expenditure totalling £4,406,000 is taken into account is £2,475.

It should be noted that the information contained in this report is provisional subject to the formal audit process. The draft Statement of Accounts for 2016/17 will be presented to the Audit Committee on 14 July, with final approval of the audited accounts on 31 July.

Recommendations:

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2017 of £2,475 which includes committed expenditure to be met totalling £4,406,000, which has been approved under delegated powers by the Chief Finance Officer;
- (ii) Note adjustments to the 2017/18 capital programme for Harraby Cycle Track Development, Disabled Facilities Grants, Castle Way S106 and Cracker Packer S106 to account for all external funding available towards the projects as detailed in paragraph 5 and Appendix B of the report;

- (iii) Consider the revised programme for 2017/18, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council on 11 July.

Tracking

Executive:	5 June 2017
Overview and Scrutiny:	ROSP 13 June 2017
Audit Committee:	14 July 2017
Council:	11 July 2017

1. BACKGROUND

- 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 2016/17, summarised in **Appendix A**
 - (ii) the revised programme for 2017/18, and the provisional programme for 2018/19 to 2021/22, 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 2017/18. Members should note that the information contained in this report is provisional and subject to the formal audit process. Any significant changes required following the approval of the 2016/17 accounts will, if required, be reported to a future Executive meeting.
- 1.3 Please note that throughout this report the use of brackets indicates a favourable variance i.e. either an underspend or additional income received.

2. SUMMARY CAPITAL OUTTURN 2016/17

- 2.1 The original capital programme of £4,595,000 for 2016/17 was approved in February 2016. Since then, a review of the capital programme has been undertaken and the capital funding has been revised. In accordance with proper accounting practices it has been necessary to gross up the expenditure budgets to properly reflect the total cost of the schemes including those fully funded from external grant/contributions.

The revised programme for 2016/17 of £12,073,400 is a result of the following funding streams:

2016/17 Capital Budget	£
Original 2016/17 Programme (approved Feb 2016)	4,595,000
Agreed Carry Forwards from 2015/16 (RD55/15 Council 08/03/16)	1,447,000
Agreed Carry Forwards from 2015/16 (RD07/16 Council 19/07/16)	3,347,200
Increase to programme funded from revenue carry forwards (RD07/16 Council 19/7/16)	212,500
Increase to programme for insurance settlements (RD07/16 Council 19/7/16)	259,300
Minor Works Grants from capital grant unapplied (ED09/16 Executive 04/04/16)	73,300
Section 106 for Play Areas & Open Space Improvements (LE10/16 Executive 04/07/16 & LE15/16 Executive 30/08/16)	199,400
Broadband Connection Vouchers (OD.075/15 29/06/15)	2,600
EA Central Plaza (RD33/16 Executive 21/11/16 & RD55/16 Executive 13/02/17)	116,700
Agreed carry forwards into 2017/18 (RD55/16 Council 07/03/17)	(1,164,300)
Release of funding from reserve for ICT Strategy (CE01/17 13/02/17)	40,900
Increase for schemes funded from insurance settlements	2,644,700
External contributions/grants/receipts	515,400
Schemes funded by Revenue budgets	163,700
Revised 2016/17 Capital Programme	12,453,400
Less Capital Reserves to be released by Executive	(380,000)
Revised 2016/17 Capital Programme (released)	12,073,400

2.2 The provisional out-turn position for the 2016/17 capital programme is shown below:

Directorate	Revised Annual Budget	Total Expenditure	Variance	Carry Forwards (Committed)	Revised Variance
	£	£	£	£	£
Community Services	3,861,400	2,423,596	(1,437,804)	1,437,300	(504)
Corporate Support & Resources	385,600	250,037	(135,563)	135,600	37
Economic Development	1,893,600	1,491,327	(402,273)	398,200	(4,073)
Governance & Regulatory Services	2,983,000	1,637,607	(1,345,393)	1,341,400	(3,993)
Total	9,123,600	5,802,567	(3,321,033)	3,312,500	(8,533)
Capital Flood Recovery	2,949,800	2,242,358	(707,442)	713,500	6,058
Total	12,073,400	8,044,925	(4,028,475)	4,026,000	(2,475)
Reserves to be released	380,000	0	(380,000)	380,000	0
Total	12,453,400	8,044,925	(4,408,475)	4,406,000	(2,475)

Schemes still to be released by the Executive have been removed from the budget monitoring process until the budgets have been released. The £380,000 relates to Old Town Hall/Greenmarket schemes.

- 2.3 The position for 2016/17 after committed carry forwards have been taken into account is an underspend of £2,475.
- 2.4 There main variances after carry forwards are summarised below:
- An overspend of £11,564 on Central Plaza Emergency Works.
 - An underspend of £15,754 of the Old Town Hall Phase 2 project.
 - The slight overspend on flood related expenditure is in relation to reinstatement costs that were not covered by insurance settlements. These are to be funded from the overall underspend in the revenue fund.
- 2.5 Otherwise schemes are progressing within budget, although some schemes have not been completed to the original timescales which has resulted in the request for carry forwards.
- 2.6 Further details for each directorate are included in **Appendices A1-A5**.
- 2.7 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 has been carried out throughout the year to monitor the profiling of budgets and these have been adjusted to reflect progress in current capital schemes. The year end position for the capital programme is improved from previous years due to the implementation of the corporate reserves procedure and the improved profiling.

3. CARRY FORWARD REQUESTS

- 3.1 In accordance with the Council's Constitution, any net underspending/savings on service estimates under the control of the Chief Officer may be carried forward. This is to facilitate greater flexibility of budgets between years as set out in the Medium Term Financial Plan. Approval of carry forwards is subject to the following as contained in the Council's Constitution:
- *the authorisation of the Chief Finance Officer where the request relates to a specific committed item of expenditure where, due to external or other factors, the Chief Officer has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally intended. The carry forward will only be approved by the Chief Finance Officer if the expenditure is within both the Directorate's and the*

Authority's budget as approved for that year. Any carry forward which would result in an over-spend for the Authority will require authorisation by the Council.

- any overspending on service estimates in total on budgets under the control of the Chief Officer must be carried forward to the following year, and will constitute the first call on service budgets in the following year, unless the Council determines otherwise by way of a supplementary estimate. The Chief Finance Officer will report the extent of overspending carried forward to the Executive, Resources Overview and Scrutiny Panel and to the Council.*

The delegated power applies only in so far as the carry forwards do not take the Council into an overspend position.

- 3.2 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. Of the committed carry forwards shown in paragraph 2.2, it is estimated that the full £4,406,000 will be spent in 2017/18.

4. FINANCING OF CAPITAL PROGRAMME 2016/17

- 4.1 Utilisation of resources to fund the 2016/17 Capital Programme in light of the out-turn is provisionally estimated as follows:

	Revised Budget £	Provisional Out-turn £
Capital Programme expenditure in year	12,453,400	8,044,925
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts) (note 1)	2,355,000	916,232
Capital Grants		
• Disabled Facilities Grant	1,467,300	1,467,316
• General	2,029,200	1,315,067
Reserves & Balances (note 2)		
• Earmarked Reserves	9,800	0
• Direct Revenue Financing	4,913,700	4,008,312
Contributions from other bodies incl S106 (note 3)	879,300	284,896
Borrowing Requirement (in Year)	799,100	53,102
Total Financing	12,453,400	8,044,925

Notes:

1. There were no usable capital receipts carried forward from 2015/16. Capital receipts generated during the year amount to £916,232 compared to the

revised estimate figure of £2,355,000, a shortfall of £1,438,768. This is mainly due to slippage of the sale of assets into future years and the budget for these (£1,500,000) will be carried forward into 2017/18.

The total sum available, £916,232 has been used to fund the Capital Programme in 2016/17, with the balance of funding required (£53,102) being financed from an internal borrowing requirement that is significantly lower than anticipated.

2. The use of capital receipts has been optimised in order to fund 2016/17 capital expenditure. Direct revenue funding, S106 receipts and earmarked reserves and provisions specifically set up to fund capital expenditure have also been used to fund capital expenditure in 2016/17. Capital receipts are the last source of funding applied to finance the capital programme, external funding is always applied first.
3. Additional contributions were received towards vehicle replacements (£3,000), and the use of Section 106 receipts towards Castle Way, Crindledyke Cycleway, Public Realm Improvements and Play Areas & Open Spaces was less than budgeted. £597,500 has been carried forward into 2017/18 to allow the schemes to complete.

5. FIVE YEAR CAPITAL PROGRAMME

- 5.1 A five-year Capital Programme for 2017/18 to 2021/22 is detailed in **Appendices B1-B2**.
- 5.2 The programme for **2017/18** totalling £9,010,700 is based upon the programme as agreed by Council in February 2017 of £3,182,100, the commitments brought forward from 2016/17 as identified above of £4,406,000, the commitments brought forward from 2016/17 already approved of £1,164,300 and an increase of £258,300 for additional external contributions/grants received for projects as detailed in the table below.

	£
Harraby Cycle Track	67,000
Disabled Facilities Grants	146,600
Cracker Packer	15,000
Castle Way	29,700
Total Additional External Funding	258,300

- 5.3 The 2017/18 programme will be continually reviewed to ensure the Council has the capacity to deliver this level of programme.
- 5.4 It is suggested that the revised programme for 2017/18 as detailed in Appendix B1 is financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	3,182,100	3,182,100
Add: Carried forward from 2016/17 (in Year)	0	1,164,300
Add: Carried forward from 2016/17 (Year End)	0	4,406,000
Add: Additional external funding	0	258,300
Total Expenditure to be financed	3,182,100	9,010,700
<u>Financed by:</u>		
Capital Grants		
• DFG	1,467,300	1,613,900
• General	0	1,144,100
Capital Receipts	944,700	3,344,000
Contributions from other bodies	0	679,200
Direct Revenue Financing	770,100	1,774,300
Reserves	0	9,800
Borrowing Requirement (In Year)	0	445,400
Total Financing	3,182,100	9,010,700

- 5.5 The 2017/18 capital programme does not yet include provision for Council assets still to be reinstated following the flooding in December 2015. These will be subject to further reports once settlement and the necessary procurement processes have been finalised.
- 5.6 The proposed programme for **2018/19** to **2021/22** as detailed in Appendix B2 is based on the programme agreed by Council in February 2017 and the recommendations made in this report.

6 CONSULTATION

- 6.1 Consultation to Date.
Portfolio Holders and SMT have considered the issues raised in this report.
- 6.2 Consultation Proposed.
Resources Overview and Scrutiny Panel will consider the report on 13 June 2017.

7 CONCLUSION AND REASONS FOR RECOMMENDATIONS

7.1 The Executive is asked to:

- (i) Note the net underspend as at 31 March 2017 of £2,475 which includes committed expenditure to be met totalling £4,406,000, which has been approved under delegated powers by the Chief Finance Officer;
- (ii) Note adjustments to the 2017/18 capital programme for Harraby Cycle Track Development, Disabled Facilities Grants, Castle Way S106 and Cracker Packer S106 to account for all external funding available towards the projects as detailed in paragraph 5 and Appendix B of the report;
- (iii) Consider the revised programme for 2017/18, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council on 11 July.

8 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

8.1 The Council's capital programme supports the current priorities in the Carlisle Plan.

Contact Officer: Emma Gillespie

Ext: 7289

Appendices A1 to A5 and B1 to B2.
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: SMT and JMT have been involved in the preparation of this report. Individual capital schemes have different risks attached.

Community Services – Not applicable

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

Economic Development – Not applicable

Governance & Regulatory Services – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the outturn figures is part of this process. Approval of full Council is required for the additional use of capital reserves to fund expenditure commitments as set out in the report.

COMMUNITY SERVICES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Art Centre	47,900	634	(47,266)	47,300	34	Project build completed and venue opened May 2015. Carry forward required to provide funding for any residual uninsured costs associated with the rebuild after the floods.
Harraby School and Community Campus Contribution	500,000	500,000	0	0	0	Budget released by Executive 11/3/13 (SD02/13). Phased payments released as per agreement and project now complete.
Cycle Track Developments	650,000	0	(650,000)	650,000	0	Approved by Executive 27/07/15 (SD13/15). Project has been delayed due to a number of factors. Works started early 2017/18 with completion due in the year. Fully funded by external contributions.
Vehicles & Plant	2,097,500	1,680,019	(417,481)	417,500	19	Approved by Executive 07/04/15 (LE09/15). Replacement of vehicle purchases in 2016/17 under budget. Carry forward required for replacements in 2017/18.
Play Area Developments	213,000	211,064	(1,936)	10,900	8,964	Approved by Executive 04/07/16 (LE10/16) & 30/08/16 (LE15/16) funded by S106 monies, external grant and direct revenue financing. A few schemes have slipped into 2017/18. Carry forward of external funding required to complete schemes.
Open Space Improvements	72,000	19,595	(52,405)	42,900	(9,505)	Approved by Executive 04/07/16 (LE10/16) & 30/08/16 (LE15/16) funded by S106 monies, external grant and direct revenue financing. A few schemes have slipped into 2017/18. Carry forward of external funding required to complete schemes.
Crindledyke Cycleway (S106)	281,000	12,284	(268,716)	268,700	(16)	Approved by Executive 01/06/15 (LE10/15). Funded by Section 106 monies. Various factors have delayed the project. Carry forward of S106 funding required to complete project.
Grand Total	3,861,400	2,423,596	(1,437,804)	1,437,300	(504)	

CORPORATE SUPPORT & RESOURCES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
ICR Infrastructure	340,400	250,037	(90,363)	90,400	37	Part of ICT Strategy Business Case. Budgets released as per approved Strategy. Carry forward required to accommodate contracts and orders placed to upgrade IT infrastructure, network & equipment.
Revenues and Benefits ICT Upgrades	45,200	0	(45,200)	45,200	0	Funded from revenue carry forward (Direct Revenue Financing). Carry forward required as part of ICT strategy.
Grand Total	385,600	250,037	(135,563)	135,600	37	

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Public Realm Work	261,300	18,128	(243,172)	243,200	28	Budget released by Executive 10/03/14 (ED10/14). Additional budget released by Executive 07/04/15 (ED15/15). Project progressing. Carry forward required to complete scheme.
Broadband Connection Vouchers	2,600	2,640	40	0	40	OD.075/15 (29/06/15) approved participation in this initiative which is fully funded by external grant. Project complete.
Old Town Hall Phase 2	40,800	25,046	(15,754)	0	(15,754)	Budget carried forward to cover outstanding contractual payments. Project complete.
Durranhill Industrial Estate	1,362,800	1,257,399	(105,401)	105,400	(1)	Approved by Executive 15/01/14 (ED02/14). Revised programme of works approved by Executive 7/04/15 (ED14/15) & nearing completion. Funded from external grants and ring fenced receipts.
Public Realm (S106)	62,100	12,550	(49,550)	49,600	50	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies. Tender awarded and work progressing.
EA Central Plaza	164,000	175,564	11,564	0	11,564	Implementation of work under the Corporate Director of Economic Development's emergency powers with reference to the Building Act 1984 S78 Dangerous building - emergency measures (OD.104/16).
Grand Total	1,893,600	1,491,327	(402,273)	398,200	(4,073)	

GOVERNANCE & REGULATORY SERVICES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Planned Enhancements to Council Property	282,400	213,294	(69,106)	65,000	(4,106)	Individual projects progressing. Slippage due to flood recovery work.
Market Hall Roof	460,000	0	(460,000)	460,000	0	Budget released by Executive 26/09/16 (GD51/16). Negotiations ongoing regarding the Council's contribution towards the works.
Asset Management Plan	992,900	789,308	(203,592)	203,600	8	Budget carried forward in relation to remaining payments from Escrow account & demolition costs.
Kingstown Industrial Estate Roads	9,800	0	(9,800)	9,800	0	Remaining budget required for additional public realm signage on the estate.
Castle Way (S106)	329,700	93,467	(236,233)	236,300	67	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies. Revised scheme being progressed and work has now commenced. Completion expected early 2017/18.
Disabled Facilities Grants	834,400	520,937	(313,463)	313,500	37	Mandatory Grants. The take up of DFGs is reduced. The position is being closely monitored. £400,000 is now being earmarked for discretionary funds as approved by Council 10/01/17 (GD04/17). £667,300 carried forward into 2017/18 already approved by Council (RD55/16 07/03/17)
Minor Works Grants	73,800	20,601	(53,199)	53,200	1	Budget approved by Executive 04/04/16 (ED09/16) funded from external grant. Carry forward required to honour existing commitments.
Grand Total	2,983,000	1,637,607	(1,345,393)	1,341,400	(3,993)	

FLOOD RELATED CAPITAL EXPENDITURE

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
IC Buildings Flood Capital	2,506,700	1,799,086	(707,614)	713,500	5,886	Capitalisation of building improvements as a result of the flood. Some costs not covered by insurance settlements.
IC Computers Flood Capital	10,800	10,829	29	0	29	Capitalisation of computer purchases as a result of the flood.
IC Equipment Flood Capital	255,800	255,924	124	0	124	Capitalisation of equipment purchases as a result of the flood.
IC All Risk Flood Capital	176,500	176,519	19	0	19	Capitalisation of items purchased under the all risk insurance policy as a result of the flood.
Grand Total	2,949,800	2,242,358	(707,442)	713,500	6,058	

2017/18 CAPITAL PROGRAMME
APPENDIX B1

Scheme	Original Capital Programme 2017/18 £	Carry Forwards from 2016/17 £	Carry Forwards from 2016/17 £	Other Adjustments £	Revised Capital Programme 2017/18 £
<u>Current non-recurring commitments</u>					
Play Area Green Gyms	25,000	0	0	0	25,000
Public Realm/Cracker Packer (S106)	0	0	49,600	15,000	64,600
Castle Way (S106)	0	0	236,300	29,700	266,000
Arts Centre	0	0	47,300	0	47,300
Tennis Facilities	0	497,000	0	0	497,000
Cycle Track Development	0	0	650,000	67,000	717,000
Market Hall Roof	0	0	460,000	0	460,000
Crindledyke Cycleway	0	0	268,700	0	268,700
Durranhill Industrial Estate	0	0	105,400	0	105,400
Play Area Developments	0	0	10,900	0	10,900
Open Space Improvements	0	0	42,900	0	42,900
Kingstown Industrial Estate	0	0	9,800	0	9,800
Public Realm Improvements	0	0	243,200	0	243,200
IC Buildings Flood Reinstatement	0	0	713,500	0	713,500
Revenues & Benefits ICT Upgrades	0	0	45,200	0	45,200
Asset Review	0	0	203,600	0	203,600
	25,000	497,000	3,086,400	111,700	3,720,100
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	150,000	0	65,000	0	215,000
Vehicles, Plant & Equipment	0	0	417,500	0	417,500
ICT Infrastructure	0	0	90,400	0	90,400
	150,000	0	572,900	0	722,900
<u>Housing Related Grants</u>					
Private Sector Grants	1,467,300	667,300	313,500	146,600	2,594,700
Minor Works Grants	0	0	53,200	0	53,200
	1,467,300	667,300	366,700	146,600	2,647,900
TOTAL	1,642,300	1,164,300	4,026,000	258,300	7,090,900
<u>Capital Reserves to be released</u>					
ICT Infrastructure	100,000	0	0	0	100,000
Vehicles, Plant & Equipment	1,439,800	0	0	0	1,439,800
Old Town Hall / Greenmarket	0	0	380,000	0	380,000
	1,539,800	0	380,000	0	1,919,800
REVISED TOTAL	3,182,100	1,164,300	4,406,000	258,300	9,010,700

2018/19 to 2021/22 PROPOSED CAPITAL PROGRAMME**APPENDIX B2**

Scheme	Proposed Capital Programme 2018/19 £	Original Capital Programme 2019/20 £	Original Capital Programme 2020/21 £	Original Capital Programme 2021/22 £
Private Sector Grants	1,467,300	1,467,300	1,467,300	1,467,300
Planned Enhancements to Council Property	150,000	150,000	150,000	150,000
Vehicles, Plant & Equipment	721,000	861,000	629,000	1,531,000
ICT Infrastructure	100,000	0	0	0
Play Area Green Gyms	25,000	0	0	0
Leisure Facilities	5,000,000	0	0	0
TOTAL	7,463,300	2,478,300	2,246,300	3,148,300